

Latium Group Limited

**Directors' report and consolidated
financial statements**

Year ended 31 October 2001

Registered Number 3697164



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Latium Group Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Statement of total recognised gains and losses	9
Reconciliations of movements in shareholders' funds	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2001.

Principal activities

The principal activities of the Group are the manufacture and sale of home improvement products to the general public, incorporated bodies and local authorities, inter alia replacement doors, kitchens, windows and conservatories. In addition, the Group manufactures various products which are used in the above activities, for sale both within the Group and to third parties.

Business review

Latium has continued to make successful progress during 2001. Both our manufacturing and retail businesses achieved much improved results from their strong emphasis on product development and customer service. The individual management teams have responded well to the changes in the marketplace and our operations are well positioned to take advantage of current market conditions.

During the financial year Latium acquired the assets and operations of St Helens Glass, which has been quickly assimilated into the Group and disposed of the assets of ASL-Wintun to its management.

Operating profit before exceptional items and goodwill amortisation reached £9.8 million (1999/2000 £5.1 million) on turnover of £234 million (1999/2000 £217 million) in the twelve months to 31 October 2001. The Group has continued to make investment available to enable this progress to develop. Debt has been reduced again during the period ahead of our investors' agreements.

Following an assessment of the trading prospects of certain Group companies and exceptional impairment a charge has been made against the goodwill carried in relation to the companies of £17 million.

Since the year end the Latium Group has undertaken a reorganization such that ownership of the subsidiary undertakings has been transferred to a number of new holding companies. On 25 March 2002 Latium Group Limited was put into members voluntary liquidation.

Directors and directors' interests

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

BG Kennedy

HJ Samson (resigned 30 April 2001)

B Stock

R Eady

J Ward (resigned 25 June 2002)

JD Atkin (non executive) (resigned 25 March 2002)

S Lees (non executive) (resigned 10 May 2002)

I Kirkham (appointed 8 May 2001)

BG Kennedy held 715,000 £1 ordinary shares in Latium Group Limited at the beginning and end of the year. None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

As disclosed in note 20 of these financial statements, I Kirkham, B Stock, R Eady and J Ward are entitled to receive a bonus under a share option scheme which is operated by the Group. No bonus was paid in relation to the year ended 31 October 2001.

Directors' report *(continued)*

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and abide by those terms.

Employees

The Group gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitude and abilities. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities.

The Board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Company's performance are welcomed. Employees are kept informed of matters affecting them.

Political and charitable contributions

The group made charitable donations of £11,600 (2000: £350) during the year.

Fixed assets

Information relating to fixed assets is set out in notes 9, 10 and 11 to the accounts.

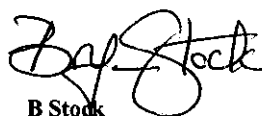
Corporate Governance

The Board has adopted a Statement of Principles on Corporate Governance, which aims to meet best practice as far as possible for a private company. The board of directors includes two non executive directors and the Group has separate Audit, Remuneration and Nomination Committees.

Auditors

KPMG were re-appointed auditors at the last Annual General Meeting. However, since that date their business has been transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 25 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the board


B Stock
Director

2nd Floor
Emerson Court
Alderley Road
Wilmslow
Cheshire
SK9 1NX

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; and
- 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.



KPMG LLP
St James' Square
Manchester M2 6DS
United Kingdom

Independent auditors' report to the members of Latium Group Limited

We have audited the financial statements on pages 5 to 26.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the 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 Group as at 31 October 2001 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 LLP
Chartered Accountants
Registered Auditor

19 July 2002,

Consolidated profit and loss account
for the year ended 31 October 2001

	Note	Pre-exceptional items	Exceptional items (Note 3)	Total	Year ended 31 October
		2001	2001	2001	2000
		£000	£000	£000	£000
Turnover					
Continuing		224,023	-	224,023	216,523
Acquisitions		9,631	-	9,631	-
	2, 3	233,654	-	233,654	216,523
Cost of sales		(121,813)	-	(121,813)	(116,686)
Gross profit		111,841	-	111,841	99,837
Distribution costs		(69,326)	-	(69,326)	(60,951)
Administrative expenses	4	(33,543)	(1,022)	(34,565)	(35,672)
Other operating income		800	-	800	727
Operating profit before amortisation of goodwill		9,772	(1,022)	8,750	5,100
Amortisation and impairment of goodwill		(1,182)	(17,071)	(18,253)	(1,159)
Group operating (loss)/profit					
Continuing		8,776	(18,093)	(9,317)	3,941
Acquisitions		(186)	-	(186)	3,941
	2, 3	8,590	(18,093)	(9,503)	3,941
Other interest receivable and similar income	7	201	-	201	223
Interest payable and similar charges	8	(3,000)	-	(3,000)	(3,296)
(Loss)/profit on ordinary activities before taxation	3-8	5,791	(18,093)	(12,302)	868
Tax on (loss)/profit on ordinary activities	9	(1,996)	307	(1,689)	(901)
(Loss)/profit on ordinary activities after taxation		3,795	(17,786)	(13,991)	(33)
Minority interests - equity		-	-	-	134
Retained (loss)/profit for the year		3,795	(17,786)	(13,991)	101

No note of historical cost profits and losses has been prepared as the historical cost profit and losses are the same as detailed in the above profit and loss account.

Consolidated balance sheet
at 31 October 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		2,721		20,083
Tangible assets	11		23,568		24,289
			<u>26,289</u>		<u>44,372</u>
Current assets					
Stocks	13	14,152		13,607	
Debtors	14	41,274		39,351	
Cash at bank and in hand		12,038		8,760	
		<u>67,464</u>		<u>61,718</u>	
Creditors: amounts falling due within one year	15	<u>(58,531)</u>		<u>(52,226)</u>	
Net current assets			<u>8,933</u>		<u>9,492</u>
Total assets less current liabilities			<u>35,222</u>		<u>53,864</u>
Creditors: amounts falling due after more than one year	16		(21,878)		(26,628)
Provisions for liabilities and charges	17		(2,436)		(2,337)
			<u>10,908</u>		<u>24,899</u>
Net assets			<u>10,908</u>		<u>24,899</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Share premium account	19		21,000		21,000
Profit and loss account	19		(11,092)		2,899
			<u>10,908</u>		<u>24,899</u>
Shareholders' funds					
Equity		10,908		24,899	
Non-equity	19	-		-	
		<u>10,908</u>		<u>24,899</u>	
Minority interests in subsidiaries			-		-
			<u>10,908</u>		<u>24,899</u>

These financial statements were approved by the board of directors on

and were signed on its behalf by:



I Kirkham
Director



B Stock
Director

Company balance sheet
at 31 October 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		25		45
Investments	12		21,286		40,747
			<u>21,311</u>		<u>40,792</u>
Current assets					
Debtors	14	6,037		5,036	
Cash at bank and in hand		-		6,010	
		<u>6,037</u>		<u>11,046</u>	
Creditors: amounts falling due within one year	15	<u>(10,245)</u>		<u>(6,178)</u>	
Net current (liabilities) / assets			<u>(4,208)</u>		<u>4,868</u>
Total assets less current liabilities			<u>17,103</u>		<u>45,660</u>
Creditors: amounts falling due after more than one Year	16		<u>(20,872)</u>		<u>(26,250)</u>
Net (liabilities) / assets			<u>(3,769)</u>		<u>19,410</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Share premium account	19		21,000		21,000
Profit and loss account	19		(25,769)		(2,590)
Shareholders' funds					
Equity		(3,769)		19,410	
Non-equity	19	-		-	
		<u>(3,769)</u>		<u>19,410</u>	

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

I Kirkham
Director



B Stock
Director



Consolidated cash flow statement
for the year ended 31 October 2001

	<i>Note</i>	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
Cash flow statement			
Cash inflow from operating activities	23	17,350	4,412
Returns on investments and servicing of finance	24	(2,372)	(3,073)
Taxation		(1,766)	(5,458)
Capital expenditure and financial investment	24	(4,007)	(2,885)
Acquisitions and disposals	24	(369)	(45)
		<hr/>	<hr/>
Cash inflow / (outflow) before financing		8,836	(7,049)
Financing	24	(5,558)	(3,811)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		3,278	(10,860)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year	25	3,278	(10,860)
Cash inflow from increase in debt and lease financing		5,558	3,811
		<hr/>	<hr/>
Change in net debt resulting from cash flows		8,836	(7,049)
New finance leases		(1,108)	-
		<hr/>	<hr/>
Movement in net debt in the year		7,728	(7,049)
Net debt at the start of the year		(25,423)	(18,374)
		<hr/>	<hr/>
Net debt at the end of the period		(17,695)	(25,423)
		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses
for the year ended 31 October 2001

	Group 2001	Company 2001	Group 2000	Company 2000
	£000	£000	£000	£000
Profit/(loss) for the financial year	(13,991)	(23,179)	101	(506)

Reconciliations of movements in shareholders' funds
for the year ended 31 October 2001

	Group 2001	Company 2001	Group 2000	Company 2000
	£000	£000	£000	£000
(Loss)/profit for the financial year	(13,991)	(23,179)	101	(506)
Net (reduction)/addition to shareholders' funds	(13,991)	(23,179)	101	(506)
Opening shareholders' funds	24,899	19,410	24,798	20,629
Closing shareholders' funds	10,908	(3,769)	24,899	20,123

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.

Notwithstanding the appointment of a liquidator to Latium Group Limited the accounts have been prepared on a going concern basis, as set out in note 27, as the group has been demerged into separate groups and each separate group continues to trade as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 October 2001. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

Annual impairment is made on the carrying value of goodwill and provision made where this is considered necessary by the direction.

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the company's financial statements, investments in subsidiary undertakings are stated at cost.

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 buildings	-	2% per annum
Leasehold land and buildings	-	life of lease
Plant and machinery	-	10-33% per annum
Fixtures, fittings and equipment	-	10-20% per annum
Motor vehicles	-	20-25% per annum

Notes (continued)

1 Accounting policies (continued)

Leases

Assets held under finance leases are included in tangible fixed assets at cost and depreciated over their anticipated useful lives; the finance element of lease payments is charged to the profit and loss account.

Operating lease costs are charged to the profit and loss account in the year in which they are incurred.

Research and development expenditure

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

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Warranty provision

Provision is made for the direct labour and material costs expected to be incurred during the warranty period entered into on the sale of goods.

Marketing prepayment

Marketing costs are carried forward in order that the costs incurred prior to the year end, in generating sales that will be recognised in the next financial year, are correctly matched against revenue. The proportion of costs prepaid is based on the size of the order book at the balance sheet date and the work completed in the last month of the financial year.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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 third party customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Foreign currencies

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

Notes (continued)

2 Segmental analysis

	Year ended 31 October 2001 Turnover	Year ended 31 October 2001 Operating profit	31 October 2001 Net assets	Year ended 31 October 2000 Turnover	Year ended 31 October 2000 Operating Profit	31 October 2000 Net assets
	£000	£000	£000	£000	£000	£000
Retail	170,897	3,808	2,937	160,004	2,351	19,378
Manufacturing	62,757	4,742	7,971	56,519	2,669	5,521
	<u>233,654</u>	<u>8,550</u>	<u>10,908</u>	<u>216,523</u>	<u>5,020</u>	<u>24,899</u>
Less: Exceptional items		(18,053)			(1,079)	
		<u>(9,503)</u>			<u>3,941</u>	

3 Analysis of continuing operations

	2001 Continuing operations £000	2001 Acquisitions £000	Total £000	2000 Continuing operations £000	2000 Acquisitions £000	Total £000
Turnover	224,023	9,631	233,654	216,523	-	216,523
Cost of sales	(115,069)	(6,744)	(121,813)	(116,686)	-	(116,686)
Gross profit/(loss)	<u>108,954</u>	<u>2,887</u>	<u>111,841</u>	<u>99,837</u>	<u>-</u>	<u>99,837</u>
Distribution costs	(66,400)	(2,926)	(69,326)	(60,951)	-	(60,951)
Administrative expenses	(32,924)	(619)	(33,543)	(35,672)	-	(35,672)
Other operating income	328	472	800	727	-	727
Amortisation and impairment of goodwill	(1,182)	-	(1,182)	-	-	-
Group operating profit/(loss)	<u>8,776</u>	<u>(186)</u>	<u>8,590</u>	<u>3,941</u>	<u>-</u>	<u>3,941</u>

Notes (continued)

4 Profit on ordinary activities before taxation

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit- Group	139	140
Audit - Company	35	-
Non audit	496	417
Depreciation and other amounts written off tangible fixed assets:		
Owned	5,755	6,521
Leased	202	133
Amortisation of goodwill	1,182	1,159
Exchange losses	70	71
Hire of plant and machinery - rentals payable under operating leases	4,235	3,560
Hire of other assets - operating leases	2,443	2,342
Research and development expenditure	1,542	796
Profit on sale of fixed assets	(41)	-
Exceptional item:		
Redundancy and reorganisation costs	1,022	1,079
Impairment of goodwill	18,253	-
	<hr/>	<hr/>

5 Remuneration of directors

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
Directors' emoluments	1,306	1,069
Company contributions to money purchase pension schemes	57	15
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £500,000 (year ended 31 October 2000: £499,000).

Notes (continued)

6 Staff numbers and costs

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

	Year ended 31 October 2001	Year ended 31 October 2000
Production	972	817
Administration and selling	1,512	1,190
	<hr/> 2,484	<hr/> 2,007

The aggregate payroll costs of these persons were as follows:

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
Wages and salaries	46,083	40,585
Social security costs	4,394	3,799
Other pension costs	1,092	1,064
	<hr/> 51,569	<hr/> 45,448

7 Other interest receivable and similar income

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
Bank interest receivable	201	223

8 Interest payable and similar charges

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
On bank loans and overdrafts	2,702	3,125
On all other loans	144	47
Net exchange losses	70	71
Finance charges on finance leases and hire purchase contracts	84	-
Other		53
	<hr/> 3,000	<hr/> 3,296

Notes (continued)

9 Taxation

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
UK corporation tax		
Current year at 30%	1,820	1,691
Adjustments in respect of prior years	(131)	(150)
	<hr/> 1,689	<hr/> 1,541
Deferred taxation	-	(640)
	<hr/> 1,689	<hr/> 901

10 Intangible fixed assets

Group	At start of year £000	Additions £000	At end of year £000
Cost			
On acquisition of Housingagent	2,569	-	2,569
On acquisition of Bardox	19,297	-	19,297
On acquisition of St Helens Glass trade (note 11)	-	891	891
	<hr/> 21,866	<hr/> 891	<hr/> 22,757
At end of year			
Amortisation			
At start of year			1,783
Charged in year			1,182
Impairment			17,071
			<hr/> 20,036
At end of year			
Net book value			
At 31 October 2001			2,721
			<hr/>
At 31 October 2000			20,083

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. All goodwill is being amortised over 20 years.

Following an assessment of the trading prospects of certain Group companies and exceptional impairment a charge has been made against the goodwill carried in relation to the companies of £17 million.

Notes *(continued)*

10 Intangible fixed assets *(continued)*

On 4th May 2001 the trade and assets of St Helens Glass on 4 May 2001 were purchased. Net assets acquired were as follows:

	Book value £000
Tangible fixed assets	80
Stock and net work in progress	310
Debtors	320
Cash	3
Creditors	(1,002)
Provisions	(230)
	<hr/>
Net assets acquired	(519)
Goodwill	891
	<hr/>
	372
	<hr/>
Satisfied by:	
Cash	372
	<hr/>

There were no fair value adjustments required.

Notes (continued)

11 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Group				
<i>Cost</i>				
At start of the year	12,524	46,725	15,265	74,514
On acquisition	-	80	-	80
Additions	276	3,796	1,237	5,309
Disposals	(16)	(7,645)	(664)	(8,325)
At end of period	12,784	42,956	15,838	71,578
<i>Depreciation</i>				
At start of the year	2,676	36,014	11,535	50,225
Charge for year	662	3,573	1,722	5,957
Disposals	(15)	(7,528)	(629)	(8,172)
At end of period	3,323	32,059	12,628	48,010
<i>Net book value</i>				
At 31 October 2001	9,461	10,897	3,210	23,568
At 31 October 2000	9,848	10,711	3,730	24,289

The net book value of land and buildings comprises:

	31 October 2001 £000	31 October 2000 £000
Freehold	8,306	6,721
Long leasehold	269	1,923
Short leasehold	886	1,204
	9,461	9,848

Included in the total group net book value of plant and machinery is £1,477,000 (2000: £571,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £202,000 (2000: £133,000).

Notes (continued)

11 Tangible fixed assets (continued)

	Plant and machinery	Fixtures, fittings, tools and equipment	Total
Company	£000	£000	£000
Cost			
At start of year	45	17	62
Additions	18	-	18
Intergroup transfer	(45)	-	(45)
At end of year	18	17	35
Depreciation			
At start of year	14	3	17
Charge for year	7	6	13
Intergroup transfer	(19)	-	(19)
At end of year	2	9	11
Net book value			
At 31 October 2001	16	8	24
At 31 October 2000	31	14	45

There are no company assets held under finance leases.

Notes (continued)

12 Fixed asset investments

Company	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
<i>Cost and net book value</i>			
At start of year	21,440	19,307	40,747
Additions	2,350	-	2,350
Repayments	-	(500)	(500)
At 31 October 2001	23,790	18,807	42,597

The principal undertakings in which the group's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Group interest in ordinary shares
<i>Subsidiary undertakings</i>			
Bardox Group Limited	England & Wales	Holding company	96.8%
Housingagent Limited	England & Wales	Holding company	100%
Weatherseal Holdings Limited	England & Wales	Sale of double glazed units	96.8%
Space Kitchens and Bedrooms Limited	England & Wales	Sale of kitchens	96.8%
WS Windows Limited	England & Wales	Sale of double glazed units	96.8%
Supreme-O-Glaze Home Products Limited	England & Wales	Sale of double glazed units	96.8%
Everest Limited	England & Wales	Sale of double glazed units	100%
CDW Products Limited	England & Wales	Manufacturer of home improvement products	100%
CET Glass Processors Limited	England & Wales	Manufacturer of home improvement products	100%
St Helens Glass Limited	England & Wales	Sale of double glazed units	100%

The investments in Bardox Group Limited, Housingagent Limited and Space Kitchens and Bedrooms Limited are held by Latium Group Limited. All other investments are 100% held by either Bardox Group Limited or Housingagent Limited.

All shareholdings noted above relate to equity shares.

Notes (continued)

13 Stocks

	2001 Group £000	2000 Group £000
Raw materials and consumables	5,494	5,864
Work in progress	603	352
Finished goods and goods for resale	8,055	7,391
	<u>14,152</u>	<u>13,607</u>

There is no material difference between the replacement cost of stock and the amount at which it is stated in the accounts.

14 Debtors

	2001 Group £000	2001 Company £000	2000 Group £000	2000 Company £000
Trade debtors	22,656	-	24,821	-
Amounts owed by group undertakings	-	4,267	-	4,265
Corporation tax	1,075	604	-	-
Other debtors	1,815	1,166	1,332	211
Prepayments and accrued income	15,728	-	13,198	560
	<u>41,274</u>	<u>6,037</u>	<u>39,351</u>	<u>5,036</u>

15 Creditors: amounts falling due within one year

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Bank loans (note 15)	5,252	5,252	5,000	5,000
Bank overdraft	-	1,486	-	-
Obligations under finance leases and hire purchase contracts	343	-	295	-
Loan notes	2,260	-	2,260	-
Payments received on account	6,424	-	5,345	-
Trade creditors	27,188	-	25,234	-
Amounts owed to group undertakings	-	1,516	-	1,130
Corporation tax	-	-	(998)	(1,258)
Taxation and social security	7,691	321	6,909	99
Other creditors	530	-	282	7
Accruals and deferred income	8,843	1,670	7,899	1,200
	<u>58,531</u>	<u>10,245</u>	<u>52,226</u>	<u>6,178</u>

The loan notes are repayable at the option of the holders at any of the quarterly interest payment dates to 30 September 2012 and bear interest at the rate payable on the principal sum of the deposit. Unless previously redeemed the loan notes will be redeemed for cash at par at 30 September 2012. Included in cash balances is a deposit amount of £2,852,000 (2000: £2,762,000) over which the Group's bank holds a charge as security for a bank guarantee given to the loan note holders, and on which interest is received at a rate which varies with LIBOR.

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Bank loans and overdrafts	20,872	20,872	26,250	26,250
Obligations under finance leases and hire purchase contracts	1,006	-	378	-
	<u>21,878</u>	<u>20,872</u>	<u>26,628</u>	<u>26,250</u>

Analysis of bank loan and loan notes:

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Debt can be analysed as falling due:				
In one year or less, or on demand	5,252	5,252	5,000	5,000
Between one and two years	5,122	5,122	5,000	5,000
Between two and five years	5,750	5,750	15,000	15,000
In five years or more	10,000	10,000	6,250	6,250
	<u>26,124</u>	<u>26,124</u>	<u>31,250</u>	<u>31,250</u>

Bank loans are secured by a first fixed charge over certain properties and assets owned by the Group and a second floating charge over all assets owned by the Group.

Analysis of finance lease obligations

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Within one year	343	-	295	-
In the second to fifth years	1,006	-	378	-
	<u>1,349</u>	<u>-</u>	<u>673</u>	<u>-</u>

17 Provisions for liabilities and charges

	Relocation Provision £000	Warranty provisions £000	Total £000
Group			
At start of year	-	2,337	2,337
On acquisition	150	80	230
Credit for the year	-	(131)	(131)
	<u>150</u>	<u>2,286</u>	<u>2,436</u>
At end of year	150	2,286	2,436

Notes (continued)

18 Called up share capital

	2001 £	2000 £
Authorised		
Equity: 730,000 ordinary shares of £1 each	730,000	730,000
285,000 'A' ordinary shares of £1 each	285,000	285,000
Non equity: 1 redeemable preference share of £1	1	1
	<hr/> 1,015,001	<hr/> 1,015,001
Allotted, called up and fully paid		
Equity: 715,000 ordinary shares of £1 each	715,000	715,000
285,000 'A' ordinary shares of £1 each	285,000	285,000
Non equity: 1 redeemable preference share of £1	1	1
	<hr/> 1,000,001	<hr/> 1,000,001

Ordinary and 'A' ordinary shares are entitled to one vote per share. The preference share does not carry any voting rights.

The preference share accrues a premium on a daily basis at a rate of £0.05 per annum per £1 of the outstanding loan balance payable to the shareholder.

The ordinary and 'A' ordinary shares carry the right *pari passu* to a cumulative dividend equal to one third of profit on ordinary activities after interest and taxation for the period.

Subject to the provisions of the Companies Act, the company shall redeem the preference share in full on the earlier of the following dates:

- i) permission being granted for the equity share capital to be dealt on a recognised investment exchange;
- ii) the purchase of 90% or more of the issued equity share capital of the company;
- iii) 31 March 2007.

In the event of liquidation or other return of capital or assets the share capital ranks in the following order:

- i) preference share in respect of £1 per share and any accrued premium;
- ii) 'A' ordinary shares in respect of £23.53 per share and any accrued dividend;
- iii) ordinary shares and 'A' ordinary shares *pari passu* in respect of £10,000 per share.

Notes (continued)

19 Share premium and reserves

	Group	
	Share premium account £000	Profit and loss account £000
At start of year	21,000	2,899
Retained loss for the year	-	(13,991)
At end of year	<u>21,000</u>	<u>(11,092)</u>

	Company	
	Share premium account £000	Profit and loss account £000
At start of year	21,000	(2,590)
Retained loss for the year	-	(23,179)
At end of year	<u>21,000</u>	<u>(25,769)</u>

Non equity interests - Group and Company

Non-equity interests in shareholders' funds are analysed by class of share as follows:

	2001 £	2000 £
1 redeemable preference share of £1	<u>1</u>	<u>1</u>

Notes (continued)

20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries. The amount outstanding at the year end was £nil (2000: £nil).

I Kirkham, B Stock, R Eady and J Ward together with certain subsidiary company directors, are entitled to receive a bonus under a phantom share option scheme which is operated by the Group. This bonus is dependent on the principal shareholders disposing of a substantial proportion of their shareholding and will be based on pre-set percentages of the growth in value of either the Group or relevant subsidiary companies between the date the option was granted and the disposal date. Until such disposal takes place, the amount payable is contingent in nature and is not quantifiable.

21 Commitments

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

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Contracted	-	-	942	-

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

	2001		2000	
Group	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	843	299	494	548
In the second to fifth years inclusive	1,683	3,373	1,961	3,251
Over five years	950	-	682	-
	<u>3,476</u>	<u>3,672</u>	<u>3,137</u>	<u>3,799</u>

	2001		2000	
Company	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	50	-	50	8
Over five years	-	-	-	-
	<u>50</u>	<u>-</u>	<u>50</u>	<u>8</u>

22 Pension scheme

The Group has a Group Personal Pension Plan (a defined contribution scheme). The pension cost charge for the period represents contributions payable by the Group into the Plan and amounted to £1,092,000 (2000: £1,064,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2000: £nil)

Notes (continued)

23 Reconciliation of operating profit to operating cash flows

	Year ended 31 October 2001 £000	Year ended 31 October 2000 £000
Operating profit	(9,503)	3,941
Depreciation charge	5,957	6,654
Amortisation of goodwill	18,253	1,159
Movement in warranty provision	(131)	(134)
Profit on sale of fixed assets	(41)	243
Additional fair value adjustments	-	(3,083)
Increase in stocks	(235)	(2,154)
Increase in debtors	(528)	(6,835)
Increase in creditors	3,578	4,621
	<hr/>	<hr/>
Net cash inflow from operating activities	17,350	4,412
	<hr/>	<hr/>

24 Analysis of cash flows

	<i>Notes</i>	2001 £000	2001 £000	2000 £000	2000 £000
Returns on investment and servicing of finance					
Interest received		201		223	
Interest paid		(2,489)		(3,296)	
Interest element of finance lease payments		(84)		-	
		<hr/>		<hr/>	
			(2,372)		(3,073)
			<hr/>		<hr/>
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,201)		(5,740)	
Sale of plant and machinery		194		2,855	
		<hr/>		<hr/>	
			(4,007)		(2,885)
			<hr/>		<hr/>
Acquisitions and disposals					
Purchase of subsidiary undertakings	10	(372)		(95)	
Net cash acquired with subsidiary		3		-	
Disposal of fixed asset investment		-		50	
		<hr/>		<hr/>	
			(369)		(45)
			<hr/>		<hr/>

Notes (continued)

24 Analysis of cash flows (continued)

	2001 £000	2001 £000	2000 £000	2000 £000
Financing				
Debt due within one year:				
Repayment of secured loans	(4,748)		(3,750)	
Repayment of loan notes	-		(30)	
Debt due after more than one year:				
Repayment of loans	(378)		-	
Capital element of finance lease rental payments	(432)		(31)	
		(5,558)		(3,811)

25 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand and at bank	8,760	3,278	-	12,038
Debt due within one year	(7,260)	4,748	(5,000)	(7,512)
Debt due after one year	(26,250)	378	5,000	(20,872)
Finance leases	(673)	432	(1,108)	(1,349)
Total	(25,423)	8,836	(1,108)	(17,695)

26 Related party transactions

During the year the Group has been charged £1,032,610 by Genesis Limited, a company wholly owned by BG Kennedy, in respect of the supply of mobile telephones. An amount of £144,496 was payable as at 31 October 2001.

During the year the Group has been charged £135,958 (2000: £256,693) and made sales of £1,374,852 (2000: £804,206) with Scotplas Limited, a company 90% owned by BG Kennedy, in respect of material purchases. An amount of £409,779 was receivable as at 31 October 2001 (2000: £139,058).

All of the above transactions were negotiated at arms length and on normal commercial terms.

27 Post balance sheet event

Since the year end the Latium Group has undertaken a reorganisation such that ownership of the subsidiary undertakings has been transferred to a number of new holding companies. On 25 March 2002 Latium Group Limited was put into members voluntary liquidation.