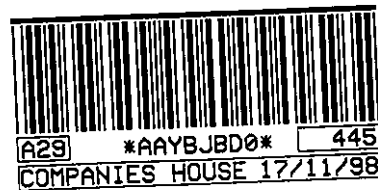


Registered no: 1860050

Kingdoor Products Limited
Annual report
for the year ended 31 August 1998



Kingdoor Products Limited

Annual report for the year ended 31 August 1998

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Kingdoor Products Limited

1

Company information

Directors

A E Coyne

J McGorrigan

D Smith

B E Kerrison

J B S Swallow

Registered Auditors

PricewaterhouseCoopers

Abacus Court

6 Minshull Street

Manchester

M1 3ED

Secretary and registered office

P H Brindley

Hammond Avenue

Whitehill Industrial Estate

Reddish

Stockport

Cheshire

SK4 1PQ

Bankers

Bank of Scotland

110 St Vincent Street

Glasgow

G2 5EJ

Directors' report for the year ended 31 August 1998

The directors present their report and the audited financial statements for the year ended 31 August 1998.

Principal activities

The profit and loss account for the year is set out on page 6.

The company's principal activity during the year was the manufacture and distribution of domestic garage doors and industrial door accessories.

Review of business

The company produced a loss before taxation of £685,137 for the year ended 31 August 1998, compared with a profit before taxation of £117,608 for the year ended 31 August 1997.

The company is confident of returning to profitability in the coming year. This follows a year of considerable investment in product quality and people, albeit at the expense of margins.

Despite considerable pressures in the marketplace, the company has succeeded in winning major new contracts with substantial housebuilders which will provide substantial volume growth in the coming year.

The directors would like to thank all the employees of the company for their dedication and efforts during the year.

Dividends

The directors do not recommend the payment of a dividend (1997: interim dividend paid £50,000 and final dividend proposed £272,000).

Year 2000

The company has invested considerably in new hardware and software in the year and considers itself to be well placed to achieve Year 2000 compliance within the coming year.

European Economic and Monetary Union

Whilst we believe that European Monetary Union will not have a significant impact on the company, our plans to be EMU compliant are in progress.

Following discussions with our software suppliers we see no reason why the deadline should not be achieved.

Directors

The directors of the company at 31 August 1998, all of whom have been directors for the whole of the year ended on that date, except as noted below, are listed on page 1.

B E Kerrison and J B S Swallow were appointed as directors of the company on 14 April 1998.

Directors' interests in shares of the company

No director held any interest in the shares of the company during the year.

The interests of the directors in the shares of group companies were as follows:

	Ordinary shares of 10p in Stratagem PLC	
	1998	1997
A E Coyne	7,827	7,827
J McGorrigan	2,881	2,881

The interests of B E Kerrison and J B S Swallow, being directors of the ultimate parent company, are disclosed in the financial statements of Stratagem Group PLC.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 August 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

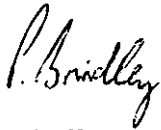
Employment of disabled persons

The company supports the employment of disabled people whenever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

Auditors

Following the merger of Coopers & Lybrand and Price Waterhouse on 1 July 1998, Coopers & Lybrand resigned and the directors appointed the merged firm of PricewaterhouseCoopers as auditors. A resolution proposing that PricewaterhouseCoopers be reappointed as auditors will be put to the members at the next Annual General Meeting.

By order of the board



P H Brindley
Company secretary
16 October 1998

Report of the auditors to the members of Kingdoor Products Limited

We have audited the financial statements on pages 6 to 14, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 the company's affairs at 31 August 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Manchester
16 October 1998

Profit and loss account for the year ended 31 August 1998

	Notes	1998 £	1997 £
Turnover	1	3,583,740	3,514,928
Cost of sales		(3,246,605)	(2,794,339)
Gross profit		337,135	720,589
Administrative expenses		(1,022,272)	(602,981)
(Loss)/profit on ordinary activities before taxation	4	(685,137)	117,608
Tax on (loss)/profit on ordinary activities	5	3,500	(36,000)
(Loss)/profit for the financial year		(681,637)	81,608
Dividends	6	-	(322,000)
Transfer from reserves for the year	14	(681,637)	(240,392)

All results are derived from continuing operations.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

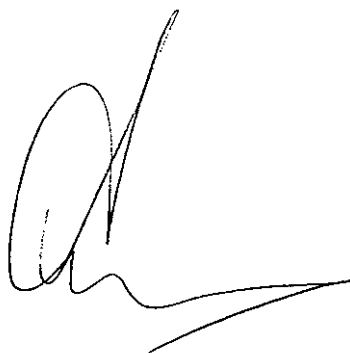
There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

Balance sheet at 31 August 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	7	258,702	244,311
Current assets			
Stocks	8	919,148	918,660
Debtors	9	919,105	1,099,157
Cash at bank and in hand		2,188	2,007
		1,840,441	2,019,824
Creditors: amounts falling due within one year	10	2,047,818	1,527,673
Net current (liabilities)/assets		(207,377)	492,151
Total assets less current liabilities		51,325	736,462
Provision for liabilities and charges			
Deferred taxation	11	-	3,500
Net assets		51,325	732,962
Capital and reserves			
Called up share capital	13	5,000	5,000
Profit and loss account	14	46,325	727,962
Equity shareholders' funds	15	51,325	732,962

The financial statements on pages 6 to 14 were approved by the board of directors on 16 October 1998 and were signed on its behalf by:

A E Coyne
Director



**Notes to the financial statements
for the year ended 31 August 1998****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures and fittings	20%
Computers	25%
Plant and machinery	15%

Stocks

Stocks, being goods for resale, are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Deferred taxation is calculated using the liability method and provision is made for all material timing differences which are not expected to continue in the foreseeable future.

Pensions

The group offers contributory pension schemes to provide retirement benefits based upon final salaries for all staff and works employees. Pension costs are charged to the profit and loss account so as to spread the cost of providing pensions over the service lives of employees in accordance with the recommendation of an independent actuary. Particulars of the most recent actuarial valuation of the group's schemes are contained in the financial statements of Stratagem Group PLC.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied. All turnover arises in the United Kingdom and the Republic of Ireland.

Cash flow statement

The company is a wholly owned subsidiary of Stratagem Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of Stratagem Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

2 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments and benefits in kind	<u>105,605</u>	<u>27,139</u>

Retirement benefits are accruing to two directors under a defined benefit scheme.

The emoluments of Mr Kerrison and Mr Swallow were paid by the ultimate parent company which made no recharge to the company. Mr Kerrison and Mr Swallow were directors of the ultimate parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of Mr Kerrison and Mr Swallow. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company.

The emoluments of Mr Coyne were paid by a fellow subsidiary company which made no recharge to the company. Mr Coyne was a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of Mr Coyne. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the fellow subsidiary.

3 Employee information

The average monthly number of persons (including directors) employed by the company during the year was:

	1998 Number	1997 Number
Management, supervisory and office staff	18	20
Manufacturing staff	21	26
	<u>39</u>	<u>46</u>
	£	£
Staff costs (for the above persons)		
Wages and salaries	527,892	526,480
Social security costs	42,484	38,716
Pension costs (see note 12)	29,194	21,805
	<u>599,570</u>	<u>587,001</u>

4 (Loss)/profit on ordinary activities before taxation

	1997 £	1997 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	107,146	81,512
Auditors' remuneration for audit	8,440	7,000
Auditors' remuneration for other services	-	-
Group management charges	62,187	1,000
Group consultancy income	-	(179,000)
	<u></u>	<u></u>

5 Tax on (loss)/profit on ordinary activities

The tax credit/(charge) comprises

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 31%):		
Current	-	(45,000)
Deferred	6,500	6,000
(Under)/over provision in respect of prior years:		
Current	-	3,000
Deferred	(3,000)	-
	<u>3,500</u>	<u>(36,000)</u>

In accordance with group policy, payment is not made for group relief.

6 Dividends

	1998 £	1997 £
Dividends on equity shares:		
Interim dividends paid of £Nil per share (1997: £10)	-	50,000
Final dividend proposed of £Nil per share (1997: £54.40)	-	272,000
	<u>-</u>	<u>322,000</u>

7 Tangible fixed assets

	Plant and equipment £	Computer £	Total £
Cost			
At 1 September 1997	709,057	234,022	943,079
Additions	67,320	54,217	121,537
	<u>776,377</u>	<u>288,239</u>	<u>1,064,616</u>
At 31 August 1998			
Depreciation			
At 1 September 1997	542,963	155,805	698,768
Charge for year	59,958	47,178	107,146
	<u>602,931</u>	<u>202,983</u>	<u>805,914</u>
At 31 August 1998			
Net book value			
At 31 August 1998	<u>173,446</u>	<u>85,256</u>	<u>258,702</u>
Net book value			
At 31 August 1997	<u>166,094</u>	<u>78,217</u>	<u>244,311</u>

8 Stocks

	1998 £	1997 £
Goods for resale	<u>919,148</u>	<u>918,660</u>

9 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	754,170	766,082
Other debtors	15,400	35,146
Prepayments	122,012	146,730
Amounts due from group undertakings	27,523	151,199
	<u>919,105</u>	<u>1,099,157</u>

10 Creditors: amounts falling due within one year

	1998	1997
	£	£
Overdraft	582,746	139,399
Trade creditors	668,457	863,839
Corporation tax	45,000	15,000
Other taxes and social security	39,616	11,400
Other creditors	335	253
Amounts due to group undertakings	650,796	29,541
Accruals	60,868	196,241
Dividends payable	-	272,000
	<u>2,047,818</u>	<u>1,527,673</u>

11 Provisions for liabilities and charges

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences because of:				
Accelerated capital allowances	-	3,500	-	-
	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>
Balance at 1 September	3,500	9,500		
Transfer to profit and loss account	(3,500)	(6,000)		
	<u>(3,500)</u>	<u>(6,000)</u>		
Balance at 31 August	-	3,500		
	<u>-</u>	<u>3,500</u>		

12 Pension and similar obligations

The ultimate parent company, Stratagem Group PLC, operates a funded defined benefits pension scheme. The scheme is funded by contributions from employees and employer. Particulars of the most recent actuarial valuation of the group's schemes are contained in the financial statements of Stratagem Group PLC. Employer contributions of £29,194 (1997: £21,805) in respect of the scheme, were charged against profits during the year. At the year end all contributions had been paid over to the fund administrators.

13 Called up share capital

	1998	1997
	£	£
Authorised, allotted, called up and fully paid		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

14 Profit and loss account

	£
At 1 September 1997	727,962
Transfer to profit and loss account	(681,637)
	<hr/>
At 31 August 1998	46,325
	<hr/> <hr/>

15 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the financial year	(681,637)	81,608
Dividends	-	(322,000)
	<hr/>	<hr/>
Net change in shareholders' funds	681,637	(240,392)
Opening shareholders' funds	732,962	973,354
	<hr/>	<hr/>
Closing shareholders' funds	51,325	732,962
	<hr/> <hr/>	<hr/> <hr/>

16 Contingent liabilities

The company is included in a value added tax group election under section 29 of the Value Added Tax Act 1983. It has therefore guaranteed to pay any tax due by other members of the group. At 31 August 1998 tax owing by the group was £620,776 (1997: £829,284).

The company, together with other group undertakings, entered into an agreement with the Bank of Scotland on 6 January 1992, whereby balances with the bank are subject to joint and several guarantees. The net group overdraft at 31 August 1998 subject to this agreement amounted to £4,269,075 (1997: £4,488,956). The bank has a floating charge over all the company's assets and a fixed charge over the company's fixed assets.

17 Related party disclosures

The company is a wholly owned subsidiary of Stratagem Group PLC, which presents consolidated financial statements. In accordance with Financial Reporting Standard No 8, the company is exempt from disclosing transactions with other group companies and investees of the group qualifying as related parties.

18 Ultimate parent company

The immediate parent undertaking is Stratagem Building Products Limited, a company registered in Great Britain. According to the register maintained by the company, Stratagem Building Products Limited has a 100% interest in the equity share capital of Kingdoor Products Limited at 31 August 1998.

The ultimate parent undertaking is Stratagem Group PLC, a company registered in Great Britain. Copies of the group financial statements of Stratagem Group PLC can be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3UZ

The directors regard Stratagem Group PLC, a company with a diverse range of shareholders, as the ultimate controlling party by virtue of its 100% interest in the equity share capital of the company.

Kingdoor Products Limited

Trading account for the year ended 31 August 1998

	1998 £	1997 £
Sales	3,583,740	3,514,928
Purchases	2,449,503	2,354,455
Stock at 1 September 1997	918,660	520,031
	<u>3,368,163</u>	<u>2,874,486</u>
Stock at 31 August 1998	(919,148)	(918,660)
	<u>2,449,015</u>	<u>1,955,826</u>
Wages	353,091	435,035
Heat, light and power	13,519	14,323
Consumable tools	15,564	14,882
Carriage	403,582	362,240
Plant hire and maintenance	11,834	12,033
	<u>3,246,605</u>	<u>(2,794,339)</u>
Gross profit	<u>337,135</u>	<u>720,589</u>
Deduct:		
Salaries	370,892	325,042
Rent and rates	130,150	128,717
Insurance	8,517	7,982
Staff motor and travel expenses	76,867	62,004
Marketing	81,840	53,400
Recruitment and training	5,380	4,945
Maintenance of property	6,865	12,356
Postage and telephone	29,080	30,596
Printing and stationery	11,809	14,001
Maintenance of office machines	12,786	9,188
Cleaning and welfare	21,998	19,836
Subscriptions and donations	4,539	3,600
Bank charges and commissions	1,661	1,710
Legal and professional charges	8,728	6,036
Auditors' remuneration	8,440	5,740
Depreciation	107,145	81,514
Bad debts	19,916	10,951
Product development	34,197	670
Management charge	62,187	1,000
Consultancy fees	-	(179,000)
Interest received	(134)	-
Loss on assets	-	2,693
Exceptional items	19,409	-
	<u>(1,022,272)</u>	<u>(602,981)</u>
(Loss)/profit on ordinary activities before taxation and interest	<u>(685,137)</u>	<u>117,608</u>