

COMPANY REGISTRATION NUMBER 3875370

PACE TIMBER SYSTEMS LIMITED
FINANCIAL STATEMENTS
31st DECEMBER 2007

MONDAY



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PACE TIMBER SYSTEMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

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PACE TIMBER SYSTEMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Dermot Mulvihill
Gene Murtagh
Brendan Feeney
Gilbert McCarthy

Company secretary

Kingspan Group Limited

Registered office

Baginb Road
Greenfield Business Park No 2
Greenfield
Holywell
CLWYD CH8 7GJ
North Wales

Auditor

Grant Thornton
Chartered Accountants
& Registered Auditors
24 - 26 City Quay
Dublin 2
Ireland

Bankers

Barclays Bank plc
Northwest Larger Business Team
7th Floor
1 Marsden Street
Manchester M2 1HW

PACE TIMBER SYSTEMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31st DECEMBER 2007

The directors present their report and the financial statements of the company for the year ended 31st December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the design, manufacture and erection of timber frame buildings. The company transferred all its business assets and liabilities to Kingspan Offsite Limited and ceased to trade on the 26th February 2007.

The directors are satisfied with the progress the company has made in growing its market share, developing its products and consolidating its position as a leading supplier of timber frame kits in the UK market. The directors consider that the merger of the business with Kingspan Off-site Ltd will deliver improved efficiencies and profitability in the longer term.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors confirm that the company's ongoing process for identifying, evaluating and managing its significant risks is in accordance with best practice guidance. The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and Financial Statements, and is regularly reviewed by the Board.

As part of the annual risk assessment, the Board reviewed the company's internal assessment of the risks to the business under a wide range of headings that included business and acquisition strategy, financial including transactional and translation FX risks, compliance, human resources, operational, inventory, sales and purchasing, product development, R&D and quality control, fixed assets, IT, and others including macro economic issues. The Board identified and reported on the principal risks facing the business, and whilst recognising that these risks cannot be wholly eliminated, the Board is of the view that the risks are being appropriately addressed by the company's internal financial and management controls.

RESULTS AND DIVIDENDS

The loss for the year amounted to £1,366,531. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

Dermot Mulvihill

Gene Murtagh

Brendan Feeney

Gilbert McCarthy

Pat O'Sullivan

(Resigned 31st July 2007)

Brendan Murtagh

(Retired 31st December 2007)

The company is a wholly owned subsidiary of the ultimate parent Kingspan Group plc, being a company incorporated in the Republic of Ireland.

PACE TIMBER SYSTEMS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2007

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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,

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

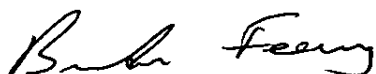
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors



Brendan Feeney

Director

Approved by the directors on 3rd March 2008

PACE TIMBER SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PACE TIMBER SYSTEMS LIMITED (continued)

YEAR ENDED 31st DECEMBER 2007

We have audited the financial statements of Pace Timber Systems Limited for the year ended 31st December 2007, which have been prepared on the basis of the accounting policies set out on pages 8 to 9

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2007 and of its loss for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

PACE TIMBER SYSTEMS LIMITED


**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PACE TIMBER SYSTEMS LIMITED *(continued)***

YEAR ENDED 31st DECEMBER 2007

the information given in the Directors' Report is consistent with the financial statements

24 - 26 City Quay
Dublin 2

3rd March 2008



GRANT THORNTON
Chartered Accountants
& Registered Auditors

PACE TIMBER SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st DECEMBER 2007

	Note	2007 £	2006 £
TURNOVER	2	2,110,681	12,799,898
Cost of sales		3,165,305	11,257,189
GROSS (LOSS)/PROFIT		(1,054,624)	1,542,709
Distribution costs		75,879	336,254
Administrative expenses		315,467	3,967,429
Other operating income		(38,482)	(232,100)
OPERATING LOSS	3	(1,407,488)	(2,528,874)
Interest receivable		—	3,902
Interest payable and similar charges	6	(3,043)	(53,256)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,410,531)	(2,578,228)
Tax on loss on ordinary activities	7	(44,000)	159,621
LOSS FOR THE FINANCIAL YEAR		(1,366,531)	(2,737,849)
Balance brought forward		(3,232,540)	(494,691)
Balance carried forward		(4,599,071)	(3,232,540)

The company transferred all its business assets and liabilities to Kingspan Offsite Limited and ceased to trade on the 26th February 2007

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 8 to 15 form part of these financial statements.

PACE TIMBER SYSTEMS LIMITED

BALANCE SHEET

31st DECEMBER 2007

	Note	2007 £	£	2006 £	£
FIXED ASSETS					
Tangible assets	8		—		226,833
Investments	9		200		200
			200		227,033
CURRENT ASSETS					
Stocks	10	—		295,811	
Debtors	11	44,000		2,447,765	
Cash at bank		—		261,763	
		44,000		3,005,339	
CREDITORS: Amounts falling due within one year	12	4,643,169		6,368,940	
NET CURRENT LIABILITIES			(4,599,169)		(3,363,601)
TOTAL ASSETS LESS CURRENT LIABILITIES			(4,598,969)		(3,136,568)
CREDITORS Amounts falling due after more than one year	13		—		95,870
			(4,598,969)		(3,232,438)
CAPITAL AND RESERVES					
Called-up equity share capital	17		102		102
Profit and loss account			(4,599,071)		(3,232,540)
DEFICIT	18		(4,598,969)		(3,232,438)

These financial statements were approved by the directors and authorised for issue on 3rd March 2008, and are signed on their behalf by



Brendan Feeney
Director

The notes on page 7 form part of these financial statements.

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

I ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill - 3 years

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Improvements - Over life of the lease
Plant & Machinery - 20% & 33% Straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

2. TURNOVER

The directors of the company are of the opinion that it would be seriously prejudicial to the interests of the company to disclose details of turnover either by class or market

3. OPERATING LOSS

Operating loss is stated after charging

	2007 £	2006 £
Depreciation of owned fixed assets	14,380	191,754
Depreciation of assets held under hire purchase agreements	10,739	65,299
Loss on disposal of fixed assets	—	65,457
Auditor's remuneration		
- as auditor	2,000	2,500
Operating lease costs		
Plant and equipment	17,248	10,672

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2007 No	2006 No
Number of production staff	11	68
Number of distribution staff	1	3
Number of administrative staff	8	26
	<u>20</u>	<u>97</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	483,574	2,593,178
Social security costs	57,220	305,999
Other pension costs	14,713	98,710
	<u>555,507</u>	<u>2,997,887</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007 £	2006 £
Emoluments receivable	—	291,715
Value of company pension contributions to money purchase schemes	—	33,779
	<u>—</u>	<u>325,494</u>

Emoluments of highest paid director:

	2007 £	2006 £
Total emoluments (excluding pension contributions)	—	83,888
Value of company pension contributions to money purchase schemes	—	10,400
	<u>—</u>	<u>94,288</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2007 No	2006 No
Money purchase schemes	<u>—</u>	<u>2</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on bank borrowing	315	31,427
Finance charges	2,728	21,829
	<u>3,043</u>	<u>53,256</u>

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007 £	£	2006 £	£
Current tax				
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	(44,000)		-	
Total current tax	(44,000)		-	
Deferred tax				
Origination and reversal of timing differences				
Capital allowances	-		(29,021)	
Losses	-		188,642	
Total deferred tax	-		159,621	
Tax on loss on ordinary activities	(44,000)		159,621	

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £	2006 £
Loss on ordinary activities before taxation	<u>(1,410,531)</u>	<u>(2,578,228)</u>
Loss on ordinary activities by rate of tax	(423,159)	(773,822)
Expenses not deductible for tax purposes	1,671	26,882
Capital allowances for period in excess of depreciation	(511)	38,710
Losses	-	693,230
Short term timing differences	377,999	15,000
Total current tax (note 7(a))	<u>(44,000)</u>	<u>-</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

8. TANGIBLE FIXED ASSETS

	Brought forward 1 Jan 07 £	Additions £	Transfers £	Carried forward 31 Dec 07 £
COST				
Leasehold improvements	121,045	-	(121,045)	-
Plant & Machinery	797,138	10,893	(808,031)	-
	<u>918,183</u>	<u>10,893</u>	<u>(929,076)</u>	<u>-</u>
	Brought forward 1 Jan 07 £	Charges £	Transfers £	Carried forward 31 Dec 07 £
DEPRECIATION				
Leasehold improvements	(108,621)	(2,949)	111,570	-
Plant & Machinery	(582,729)	(22,170)	604,899	-
	<u>(691,350)</u>	<u>(25,119)</u>	<u>716,469</u>	<u>-</u>
			Brought forward 1 Jan 07 £	Carried forward 31 Dec 07 £
NET BOOK VALUE				
Leasehold improvements			12,424	-
Plant & Machinery			214,409	-
			<u>226,833</u>	<u>-</u>

Hire purchase agreements

Included within the net book value of £Nil is £Nil (2006 - £175,603) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £10,739 (2006 - £65,299).

Capital commitments

	2007 £	2006 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>9,395</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

9. INVESTMENTS

Shares in group companies

£

COST

At 1st January 2007 and 31st December 2007

200

NET BOOK VALUE

At 31st December 2007

200

At 31st December 2006

200

The principal subsidiary companies and the respective called up share capital held by Pace Timber Systems Limited are as follows,

	Holding %	Nature of Business
Kingspan Offsite (Timber Engineering) Limited	100%	Manufacturing
Registered Office Greenfield Business Park No 2, Holywell, North Wales		

10. STOCKS

	2007 £	2006 £
Raw materials	—	130,044
Work in progress	—	88,136
Finished goods	—	77,631
	<u>—</u>	<u>295,811</u>

11. DEBTORS

	2007 £	2006 £
Trade debtors	—	1,518,191
Amounts owed by group undertakings	—	789,868
Corporation tax repayable	44,000	—
VAT recoverable	—	40,443
Prepayments and accrued income	—	99,263
	<u>44,000</u>	<u>2,447,765</u>

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

12. CREDITORS. Amounts falling due within one year

	2007 £	2006 £
Trade creditors	—	1,634,112
Amounts owed to group undertakings	4,643,169	2,260,118
PAYE and social security	—	89,374
Hire purchase agreements	—	73,257
Other creditors	—	1,736,061
Accruals and deferred income	—	576,018
	<u>4,643,169</u>	<u>6,368,940</u>

13. CREDITORS: Amounts falling due after more than one year

	2007 £	2006 £
Hire purchase agreements	<u>—</u>	<u>95,870</u>

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2007 £	2006 £
Amounts payable within 1 year	—	73,257
Amounts payable between 2 to 5 years	—	95,870
	<u>—</u>	<u>169,127</u>

15. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings 2007 £	2006 £
Operating leases which expire		
Within 1 year	—	516,000
Within 2 to 5 years	—	516,000
After more than 5 years	—	458,000
	<u>—</u>	<u>1,490,000</u>

16. RELATED PARTY TRANSACTIONS

The company has availed of the exemption under FRS 8 paragraph 3 (c) which allows non disclosure of transactions with other group companies

PACE TIMBER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2007

17. SHARE CAPITAL

Authorised share capital:

	2007 £	2006 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>

Ordinary "A" and "B" shares were converted to £1 ordinary shares on the 1st December 2006

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Loss for the financial year	(1,366,531)	(2,737,849)
Opening shareholders' deficit	<u>(3,232,438)</u>	<u>(494,589)</u>
Closing shareholders' deficit	<u>(4,598,969)</u>	<u>(3,232,438)</u>

19. ULTIMATE PARENT COMPANY

The ultimate parent company is Kingspan Group plc, a company incorporated in the Republic of Ireland