CARRON BATHROOMS LIMITED

ABBREVIATED FINANCIAL STATEMENTS

31 DECEMBER 1998

Registered number: 80506

HLB KIDSONS

CHARTERED ACCOUNTANTS

Glasgow





CARRON BATHROOMS LIMITED

ABBREVIATED FINANCIAL STATEMENTS

for the year ended 31 December 1998

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CARRON BATHROOMS LIMITED

COMPANY INFORMATION

31 December 1998

NUMBER	80506
DIRECTORS	E C Fenna R Dalgetty D Mackenzie A Lawson
SECRETARY	R Dalgetty
REGISTERED OFFICE	P.O. Box 32 Carron Falkirk FK2 8DW
AUDITORS	HLB Kidsons Chartered Accountants Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH

CARRON BATHROOMS LIMITED

DIRECTORS' REPORT

31 December 1998

The directors present their report and the abbreviated financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of the company during the year was that of the manufacture of baths and bathroom products.

Business review

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £2,137,208.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 7.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31 December 1998		1 January 1998	
	Ordinary 'A' shares	Ordinary 'B' shares	Ordinary 'A' shares	Ordinary 'B' shares
E C Fenna	26,898	640	26,898	640
R Dalgetty	11,610	3,484	11,610	3,484
D Mackenzie	6,870	2,064	6,870	2,064
A Lawson	4,029	4,905	4,029	4,905

Auditors

HLB Kidsons have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

R Dalgetty
Secretary

P.O. Box 32
Carron
Falkirk
FK2 8DW

10 November 1999

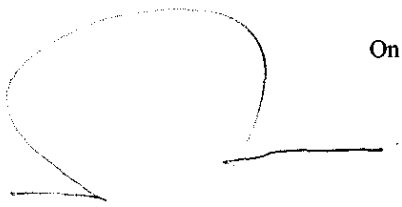
CARRON BATHROOMS LIMITED

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 of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and 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 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 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.



On behalf of the board

E C Fenna
Director

CARRON BATHROOMS LIMITED

Auditors' report to
Carron Bathrooms Limited
under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements set out on pages 5 to 18, together with the financial statements of the company for the year ended 31 December 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion
We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion
In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages 5 to 18 are properly prepared in accordance with those provisions.

HLB Kidsons

HLB Kidsons
Registered Auditors
Chartered Accountants

Glasgow
14 November 1999

CARRON BATHROOMS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 £	1997 £
Gross profit		1,635,982	1,644,863
Net operating expenses			
Distribution costs		(961,445)	(870,210)
Administrative expenses		(704,576)	(627,909)
Operating (loss)/profit	2	(30,039)	146,744
Investment income	4	34,691	24,593
Interest payable	5	(43,342)	(19,591)
(Loss)/profit on ordinary activities before taxation		(38,690)	151,746
Taxation	6	(28,671)	3,019
(Loss)/profit on ordinary activities after taxation		(67,361)	154,765
retained for the year	19		

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1998 or 1997 other than the (loss)/profit for the year.

CARRON BATHROOMS LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1998

	1998 £	1997 £
Reported (loss)/profit on ordinary activities before taxation	(38,690)	151,746
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	7,030	7,613
Historical cost (loss)/profit on ordinary activities before taxation	(31,660)	159,359
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	(60,331)	162,378

CARRON BATHROOMS LIMITED

ABBREVIATED BALANCE SHEET

at 31 December 1998

	Note	1998 £	1998 £	1997 £	1997 £
Fixed assets					
Tangible assets	7		1,509,502		1,569,214
Current assets					
Stocks	9	782,326		869,374	
Debtors	10	1,266,172		1,653,526	
Cash at bank and in hand		382,620		277,811	
		2,431,118		2,800,711	
Creditors: amounts falling due within one year	11	(1,705,151)		(2,068,946)	
Net current assets			725,967		731,765
Total assets less current liabilities			2,235,469		2,300,979
Creditors: amounts falling due after more than one year	12		(8,804)		(35,624)
Provision for liabilities and charges	13		(89,457)		(60,786)
			2,137,208		2,204,569
Capital and reserves					
Called up share capital	16		60,500		60,500
Revaluation reserve	17		367,094		367,094
Other reserves	18		30,000		30,000
Profit and loss account	19		1,679,614		1,746,975
Total shareholders' funds	15		2,137,208		2,204,569

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated financial statements on pages 5 to 18 were approved by the board of directors on 10 November 1999 and signed on its behalf by:

E C Fenna
Director

CARRON BATHROOMS LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 1998

	Note	1998 £	1998 £	1997 £	1997 £
Net cash inflow from operating activities	21		198,340		655,700
Returns on investments and servicing of finance					
Interest received		34,691		24,593	
Interest paid		(40,002)		(12,727)	
Interest element of finance lease rental payments		(3,340)		(6,864)	
			(8,651)		5,002
Taxation					
Corporation tax received/(paid)			12,510		(88,752)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(86,615)		(240,828)	
Sale of tangible fixed assets		11,100		9,600	
			(75,515)		(231,228)
			126,684		340,722
Financing					
Capital element of finance lease rentals		(21,875)		(35,641)	
			(21,875)		(35,641)
Increase in cash			104,809		305,081

CARRON BATHROOMS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for items within freehold property and plant and machinery which are stated at valuation.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Land and buildings	1% straight line
Plant and machinery	10% of reducing balance
Motor vehicles	25% of reducing balance
Fixtures and fittings	15% of reducing balance

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

CARRON BATHROOMS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies continued

Pensions

Defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Operating (loss)/profit

	1998 £	1997 £
Operating (loss)/profit is stated after charging:		
Staff costs (note 3)	1,894,167	1,725,577
Auditors' remuneration	9,950	7,250
Operating leases:		
Hire of plant and machinery	7,209	6,657
Loss on sale of assets	6,323	4,324
Loss on foreign exchange	296,503	101,983
Depreciation of tangible fixed assets (note 7):		
Owned assets	109,762	121,532
Leased assets	19,142	16,991
	128,904	138,523
The total amount charged against profits in respect of finance leases and hire purchase contracts is (of which part is shown as depreciation and the balance is shown as interest payable in note 5)	22,482	23,855

3 Directors and employees

Staff costs including directors' emoluments	1998 £	1997 £
Wages and salaries	1,688,618	1,493,975
Social security costs	167,801	149,398
Pension costs	37,748	82,204
	1,894,167	1,725,577

Average monthly number employed including executive directors:	Number	Number
Production staff	81	68
Office and management	6	9
Administration staff	14	14
	101	91

Directors	£	£
Emoluments	232,834	204,854
Company contributions to money purchase pension schemes	34,014	74,014
	266,848	278,868

Highest paid director	£	£
Emoluments and amounts receivable under long term incentive schemes	80,794	57,982
Company contributions to a money purchase pension scheme	10,014	20,014

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £37,748 (1997 £82,204) including contributions in respect of employees.

4 Investment income

	1998 £	1997 £
Interest receivable	34,691	24,593

5 Interest payable

	1998 £	1997 £
Bank interest and charges	40,002	12,727
Hire purchase interest	3,340	6,864
	43,342	19,591

6 Taxation

	1998 £	1997 £
Corporation tax on loss on ordinary activities at 21% (1997 33%)	-	(12,510)
Deferred taxation	28,671	10,434
	28,671	(2,076)
Over provision in earlier years	-	(943)
	28,671	(3,019)

CARRON BATHROOMS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 December 1998

7 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
1 January 1998	170,042	1,524,961	94,780	595,056	2,384,839
Additions	25,313	59,172	996	1,134	86,615
Disposals	(47,683)	-	-	-	(47,683)
31 December 1998	147,672	1,584,133	95,776	596,190	2,423,771
Depreciation					
1 January 1998	83,849	673,231	39,526	19,019	815,625
Charge for the year	23,506	91,148	8,288	5,962	128,904
Disposals	(30,260)	-	-	-	(30,260)
31 December 1998	77,095	764,379	47,814	24,981	914,269
Net book amount					
31 December 1998	70,577	819,754	47,962	571,209	1,509,502
1 January 1998	86,193	851,730	55,254	576,037	1,569,214

The net book amount of fixed assets includes £137,345 (1997 £139,774) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 2.

8 Revalued assets

	1998 £	1997 £
Historical cost information		
Fixed assets historical cost - cost	1,813,229	1,752,921
Fixed assets historical cost - depreciation	(150,961)	(143,931)
	1,662,268	1,608,990

Revaluation of fixed assets

The plant and machinery was professionally revalued on a going concern basis by Shirlaw Allan & Company Limited, Auctioneers and Valuers on 20 March 1986.

Freehold property was professionally revalued by Douglas Inglis & Partners, Chartered Surveyors on 28 July 1994. The valuation is based on the open market value.

9 Stocks

	1998 £	1997 £
Work in progress	155,839	131,794
Raw materials	378,070	518,971
Finished goods	248,417	218,609
	782,326	869,374

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	1,263,255	1,579,411
Other debtors	2,917	49,832
Prepayments and accrued income	-	24,283
	1,266,172	1,653,526

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	1,366,227	1,769,797
Other creditors	26,236	21,005
Corporation tax	70	70
Other taxation and social security	118,522	57,985
Accruals and deferred income	156,008	186,946
Obligations under finance leases and hire purchase contracts - note 12	38,088	33,143
	1,705,151	2,068,946

12 **Creditors:** amounts falling due after more than one year

	1998 £	1997 £
Other liabilities		
Obligations under finance leases and hire purchase contracts	8,804	35,624
	8,804	35,624

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments as follows:

In the next year - see note 11	38,088	33,143
In the second to fifth years	8,804	35,624
	46,892	68,767

13 **Provision for liabilities and charges**

	Deferred tax £
1 January 1998	60,786
Profit and loss account	28,671
31 December 1998	89,457

CARRON BATHROOMS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 December 1998

14 Deferred taxation

	1998		1997	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	-	89,457	-	76,099
Other timing differences	-	-	-	(15,313)
	-	89,457	-	60,786

Deferred taxation is based on a corporation tax rate of 21% (1997 21%).

15 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
(Loss)/profit for the financial year representing a **Net (subtraction from)/addition to shareholders' funds**	(67,361)	154,765
Opening shareholders' funds	2,204,569	2,049,804
Closing shareholders' funds	2,137,208	2,204,569

CARRON BATHROOMS LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 December 1998

16 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary 'A' £1 shares	68,807	68,807	68,807	68,807
Ordinary 'B' £1 shares	11,093	11,093	11,093	11,093
		79,900		79,900
Allotted, called up and fully paid				
Ordinary 'A' £1 shares	49,407	49,407	49,407	49,407
Ordinary 'B' £1 shares	11,093	11,093	11,093	11,093
		60,500		60,500

17 Revaluation reserve

	1998 £
1 January 1998 and 31 December 1998	367,094

18 Other reserves

	1998 £
Capital redemption reserve	30,000

19 Profit and loss account

	1998 £
1 January 1998	1,746,975
Retained loss for the year	(67,361)
31 December 1998	1,679,614

20 Contingencies

There continues to be ongoing litigation with a former foreign customer concerning the supply of baths. Carron has counter claimed. Whilst resolution is unlikely in the near future the directors expect that no material liability will result.

A Financial Guarantee for £32,000 in favour of HM Customs & Excise is in place.

21 Notes to the cash flow statement

Reconciliation of operating (loss)/profit to operating cash flows

	1998 £	1997 £
Operating (loss)/profit	(30,039)	146,744
Depreciation charges	128,904	138,523
Loss on sale of fixed assets	6,323	4,324
Decrease/(increase) in stocks	87,048	(100,814)
Decrease/(increase) in debtors	374,844	(120,585)
(Decrease)/increase in creditors	(368,740)	587,508
Net cash inflow *from operating activities*	198,340	655,700

22 Notes to the cash flow statement (continued)

Analysis of changes in net funds

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	277,811	104,809	-	382,620
Bank overdrafts	-	-	-	-
		104,809		
Finance leases	(68,767)	21,875	-	(46,892)
Total	209,044	126,684	-	335,728

Reconciliation of net cash flow to movement in net funds

	1998 £	1997 £
Increase in cash in the year	104,809	305,081
Cash outflow from decrease in debt and lease financing	21,875	35,641
Change in net funds resulting from cash flows	126,684	340,722
New finance leases	-	(98,666)
Movement in net funds in the year	126,684	242,056
Net funds / (debt) at 1 January 1998	209,044	(33,012)
Net funds at 31 December 1998	335,728	209,044