

CARRON BATHROOMS LIMITED

Report and Financial Statements

31 December 2000

**Deloitte & Touche
39 George Street
Edinburgh
EH2 2HZ**



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D McMorrine
J Hewitt

SECRETARY

D McMorrine

REGISTERED OFFICE

Stenhouse Road
Carron
Falkirk
FK2 8UW

BANKERS

Bank of Scotland
PO Box No 2
43 Vicar Street
Falkirk
FK1 1LN

SOLICITORS

Tods Murray
66 Queen Street
Edinburgh
EH2 4NE

AUDITORS

Deloitte & Touche
39 George Street
Edinburgh
EH2 2HZ

DIRECTORS' REPORT

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

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

The profit for the year after taxation amounted to £274,857 (1999- £360,399).

On 11 September 2000 the company's entire issued share capital was acquired by Carron Holdings Limited.

DIVIDENDS

The directors do not recommend the payment of a dividend and recommend that the profit of £274,857 be transferred to reserves.

FUTURE PROSPECTS

The directors are satisfied with the results for the year and are confident of achieving profitable growth in the future.

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1.

The directors interests in the ordinary shares of the company at 31 December 2000 and 1 January 2000 or date of appointment were:

	Shares of £1 each	2000 No	1999 No
E C Fenna (resigned 8 September 2000)	Ordinary A	-	26,898
	Ordinary B	-	640
R Dalgetty (resigned 8 September 2000)	Ordinary A	-	11,610
	Ordinary B	-	3,484
D Mackenzie (resigned 8 September 2000)	Ordinary A	-	6,870
	Ordinary B	-	2,064
A Lawson (resigned 8 September 2000)	Ordinary A	-	4,029
	Ordinary B	-	4,905
D McMorrine (appointed 8 September 2000)	Ordinary A	-	-
	Ordinary B	-	-
J Hewitt (appointed 8 September 2000)	Ordinary A	-	-
	Ordinary B	-	-

The interests of the directors in the shares of the ultimate parent company, Carron Holdings Limited, are disclosed in its financial statements.

DIRECTORS' REPORT

AUDITORS

HLB Kidsons resigned as auditors on 8 September 2000 and Deloitte and Touche were appointed from that date.

A resolution to reappoint Deloitte and Touche will be proposed at the next Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

A handwritten signature in black ink, appearing to read 'D. Macdonald', with a horizontal line underneath.

Secretary

Date: 21. 09. 01

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 as at the end of the financial year 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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.

AUDITORS' REPORT TO THE MEMBERS

CARRON BATHROOMS LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

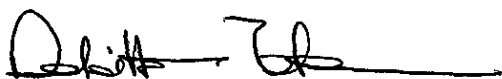
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Edinburgh



PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER: continuing operations	2	9,233,563	9,343,042
Cost of sales		7,824,054	7,590,608
Gross profit		1,409,509	1,752,434
Distribution costs		672,478	857,277
Administrative expenses		337,649	461,375
OPERATING PROFIT: continuing operations	4	399,382	433,782
Interest receivable and similar income	5	(33,884)	(33,557)
Interest payable and similar charges	6	14,115	35,457
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		419,151	431,882
Tax on profit on ordinary activities	7	144,294	71,483
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	274,857	360,399

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no Statement of Total Recognised Gains and Losses is shown.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 2000

	2000 £	1999 £
Profit on ordinary activities before taxation	419,151	431,882
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	5,834	6,505
Historical cost profit on ordinary activities before taxation	424,985	438,387
Historical cost profit for the year retained after taxation	280,691	366,904

BALANCE SHEET
31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	1,429,409	1,443,307
CURRENT ASSETS			
Stocks	9	1,006,165	766,022
Debtors	10	2,488,387	2,342,830
Cash at bank and in hand		1,396	657
		3,495,948	3,109,509
CREDITORS: Amounts falling due with one year	11	1,988,675	1,947,944
NET CURRENT ASSETS		1,507,273	1,161,565
TOTAL ASSETS LESS CURRENT LIABILITIES		2,936,682	2,604,872
CREDITORS: amounts falling due after more than one year	12	-	876
PROVISIONS FOR LIABILITIES AND CHARGES	13	164,218	106,389
		2,772,464	2,497,607
CAPITAL AND RESERVES			
Called up share capital	14	60,500	60,500
Revaluation reserve	15	203,794	367,094
Capital redemption reserve	15	30,000	30,000
Profit and loss account	15	2,478,170	2,040,013
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	2,772,464	2,497,607

These financial statements were approved by the Board of Directors on 21 September 2001.

Signed on behalf of the Board of Directors


Director


Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

The company's policy is to carry all assets at historical cost, except certain freehold property and plant and machinery which have been included in the balance sheet at a valuation recognised prior to 1 January 2000. Transitional arrangements for FRS 15 are being adopted and the company is not continuing the revaluation policy in relation to these assets.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold property	1% straight line
Plant and machinery	10% reducing balance
Motor vehicles	25% reducing balance
Fixtures, fittings, tools and equipment	15% reducing balance

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company operates a deferred contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currency transactions

Foreign currency transactions are translated at the rate prevailing at the date of the transaction. Gains and losses on translation are taken to the profit and loss account in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' remuneration		
Emoluments	224,899	346,250
Pension contributions	29,207	33,493
	<u>254,106</u>	<u>379,743</u>
Emoluments of highest paid director		
Emoluments	52,140	92,654
Pension contributions	7,954	-
	<u>60,094</u>	<u>92,654</u>
	No.	No.
Number of directors who are members of defined contribution pension scheme	-	3
Average number of persons employed		
Production	95	83
Administration and management	14	18
	<u>109</u>	<u>101</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,042,834	1,916,306
Social security costs	173,677	176,817
Pension costs	37,422	33,493
	<u>2,253,933</u>	<u>2,126,616</u>

There were no pension contributions outstanding at the balance sheet date (1999 - £Nil).

4. OPERATING PROFIT

	2000 £	1999 £
Operating profit is after charging:		
Depreciation		
Owned assets	103,254	100,857
Leased assets	2,350	15,122
Loss on disposal of fixed assets	-	2,430
Rentals under operating leases		
Hire of plant and machinery	20,100	-
Other operating leases	-	-
Auditors' remuneration	8,500	9,500

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £	1999 £
On bank deposit	33,884	33,557

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loans, overdrafts and other loans repayable within five years	12,978	30,478
Finance leases and hire purchase contracts	1,137	4,979
	14,115	35,457

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
United Kingdom corporation tax at 30% (1999 – 30%) based on the profit for the year	85,857	54,621
Deferred taxation	57,829	16,932
	143,686	71,553
Adjustments to prior years' tax provisions		
Corporation tax	608	(70)
	144,294	71,483

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

8. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation					
At 1 January 1999	609,034	1,622,639	131,172	99,140	2,461,985
Additions	53,180	44,326	-	4,420	101,926
Disposals	-	-	(27,374)	-	(27,374)
At 31 December 2000	662,214	1,666,965	103,798	103,560	2,536,537
Accumulated depreciation					
At 1 January 1999	31,071	850,155	81,939	55,513	1,018,678
Charge for the year	6,311	81,682	11,692	5,919	105,604
Disposals	-	-	(17,154)	-	(17,154)
At 31 December 2000	37,382	931,837	76,477	61,432	1,107,128
Net book value					
At 31 December 2000	624,832	735,128	27,321	42,128	1,429,409
At 31 December 1999	577,963	772,484	49,233	43,627	1,443,307
Comparable amounts determined according to the historical cost convention					
Cost	484,120	1,477,965	103,798	103,560	2,169,443
Accumulated depreciation	(26,614)	(779,305)	(76,477)	(61,432)	(943,828)
Net book value					
At 31 December 2000	457,506	698,660	27,321	42,128	1,225,615
At 31 December 1999	408,856	731,963	49,233	43,627	1,233,679

Included within the net book value is £7,051 (1999 - £117,293) relating to assets held under finance leases and hire purchase contracts.

Freehold property was professionally revalued by Douglas Inglis & Partners, Chartered Surveyors on 28 July 1994. The valuation was based on the open market value. The plant and machinery was professionally revalued on a going concern basis by Shirlaw Allan & Company Limited, Auctioneers and Valuers on 20 March 1986.

NOTES TO THE ACCOUNTS Year ended 31 December 2000

9. STOCKS

	2000 £	1999 £
Raw materials and consumables	537,738	382,581
Work-in-progress	12,295	176,176
Finished goods and goods for resale	456,132	207,265
	<u>1,006,165</u>	<u>766,022</u>

The directors have amended the classification of stock items so work in progress now only reflects items which are going through the manufacturing process at the year end.

10. DEBTORS

	2000 £	1999 £
Trade debtors	1,412,387	1,407,830
Amounts owed by group undertakings	1,026,000	-
Other debtors	50,000	935,000
	<u>2,488,387</u>	<u>2,342,830</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	147,513	101,648
Trade creditors	1,407,245	1,306,159
Obligations under finance leases and hire purchase contracts	816	7,928
Bills of exchange payable	107	21,090
Current corporation tax	85,857	54,621
Other taxes and social security	132,511	122,261
Accruals and deferred income	214,626	334,237
	<u>1,988,675</u>	<u>1,947,944</u>

The bank overdraft is secured by a standard security and a bond and floating charge over the company's property.

Obligations under finance leases and hire purchase contracts are secured on the related assets.

NOTES TO THE ACCOUNTS Year ended 31 December 2000

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	-	876

13. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 January 2000	106,389
Profit and loss account charge	57,829
Balance at 31 December 2000	164,218

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 2000 £	Provided 1999 £	Not Provided 2000 £	Not provided 1999 £
Capital allowances in advance of depreciation	164,218	106,389	-	-

14. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
68,807 ordinary A shares of £1 each	68,807	68,807
11,093 ordinary B shares of £1 each	11,093	11,093
	79,900	79,900
Called up, allotted and fully paid		
49,407 ordinary A shares of £1 each	49,407	49,407
11,093 ordinary B shares of £1 each	11,093	11,093
	60,500	60,500

The "A" and "B" shares rank equally in all aspects except that the "A" shares are voting shares and the "B" shares are non voting.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

15. STATEMENT OF RESERVES

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2000	367,094	30,000	2,040,013	2,437,107
Profit for the year	-	-	274,857	274,857
Transfer of realised revaluation reserve	(163,300)	-	163,300	-
Balance at 31 December 2000	<u>203,794</u>	<u>30,000</u>	<u>2,478,170</u>	<u>2,711,964</u>

The transfer from the revaluation reserve to the profit and loss account reflects the realisation of the revaluation reserve through depreciation to date.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	274,857	360,399
Opening shareholders' funds	<u>2,497,607</u>	<u>2,137,208</u>
Closing shareholders' funds	<u>2,772,464</u>	<u>2,497,607</u>

17. FINANCIAL COMMITMENTS

Operating lease commitments

	Land and Buildings £	Other £
Leases which expire:		
Within two to five years	<u>-</u>	<u>4,664</u>

18. CONTINGENT LIABILITIES

The company has entered into a guarantee to the group's bank in respect of the borrowings of its parent company. At 31 December 2000, the total contingent liability in respect of group borrowings was £2,188,754.

19. ULTIMATE PARENT COMPANY

On 11 September 2000 the entire issued share capital of the company was acquired by Carron Holdings Limited, a company registered in Scotland. Copies of the group financial statements are available from Companies House in Edinburgh.