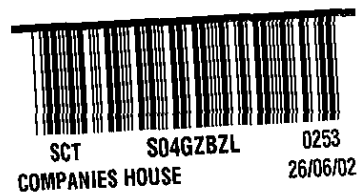


CARRON BATHROOMS LIMITED

Report and Financial Statements

31 December 2001



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

REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' statement of responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

REPORT AND FINANCIAL STATEMENTS 2001

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 2001.

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 £395,875 (2000- £274,857).

DIVIDENDS

The directors do not recommend the payment of a dividend and recommend that the profit of £395,875 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 2001 and 1 January 2001 were:

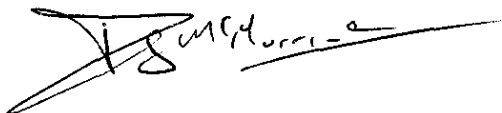
	Shares of £1 each	2001 No	2000 No
D McMorine	Ordinary A	-	-
	Ordinary B	-	-
J Hewitt	Ordinary A	-	-
	Ordinary B	-	-

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

AUDITORS

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



Secretary

4 Jan 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CARRON BATHROOMS LIMITED

We have audited the financial statements of Carron Bathrooms Limited for the year ended 31 December 2001 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

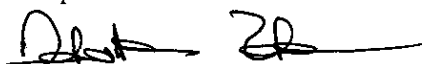
Basis of audit opinion

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 misstatements, 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 as at 31 December 2001 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

25 June 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER: continuing operations	2	9,938,702	9,233,563
Cost of sales		8,383,677	7,824,054
Gross profit		1,555,025	1,409,509
Distribution costs		727,273	672,478
Administrative expenses		377,779	337,649
OPERATING PROFIT: continuing operations	4	449,973	399,382
Interest receivable and similar income	5	(371)	(33,884)
Interest payable and similar charges	6	12,269	14,115
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		438,075	419,151
Tax on profit on ordinary activities	7	42,200	144,294
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	395,875	274,857

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 2001

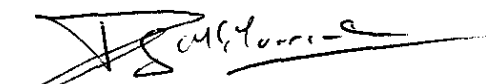
	2001 £	2000 £
Profit on ordinary activities before taxation	438,075	419,151
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,468	5,834
<i>Historical cost profit on ordinary activities before taxation</i>	439,543	424,985
Historical cost profit for the year retained after taxation	397,343	280,691

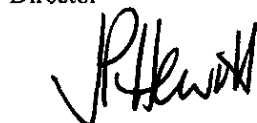
BALANCE SHEET
31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	1,487,791	1,429,409
CURRENT ASSETS			
Stocks	9	764,036	1,006,165
Debtors	10	3,076,824	2,488,387
Cash at bank and in hand		100,484	1,396
		3,941,344	3,495,948
CREDITORS: Amounts falling due within one year	11	2,091,828	1,988,675
NET CURRENT ASSETS		1,849,516	1,507,273
TOTAL ASSETS LESS CURRENT LIABILITIES		3,337,307	2,936,682
PROVISIONS FOR LIABILITIES AND CHARGES	12	168,968	164,218
		3,168,339	2,772,464
CAPITAL AND RESERVES			
Called up share capital	13	60,500	60,500
Revaluation reserve	14	202,326	203,794
Capital redemption reserve	14	30,000	30,000
Profit and loss account	14	2,875,513	2,478,170
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	3,168,339	2,772,464

These financial statements were approved by the Board of Directors on 4 June 2002.

Signed on behalf of the Board of Directors


Director


Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

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. In line with FRS 15, the company is not continuing the revaluation policy in relation to these assets.

Tangible fixed assets

Depreciation is provided on cost or revalued amount, less estimated residual value, 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%-33 1/3% 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 defined contribution pension scheme. Contributions are charged to the profit and loss account as they became 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 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Directors' remuneration		
Emoluments	150,051	224,899
Pension contributions	-	29,207
	<u>150,051</u>	<u>254,106</u>
	No.	No.
Number of directors who are members of defined contribution pension scheme	<u>-</u>	<u>-</u>
Average number of persons employed		
Production	93	95
Administration and management	15	14
	<u>108</u>	<u>109</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,011,128	2,042,834
Social security costs	182,428	173,677
Pension costs	43,243	37,422
	<u>2,236,799</u>	<u>2,253,933</u>

There were no pension contributions outstanding at the balance sheet date (2000 - £Nil).

4. OPERATING PROFIT

	2001 £	2000 £
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	116,816	103,254
Leased assets	-	2,350
Loss on disposal of fixed assets	10,192	-
Rentals under operating leases		
Hire of plant and machinery	36,601	20,100
Other operating leases	-	-
Auditors' remuneration	8,122	8,500
Foreign exchange gains	<u>(23,243)</u>	<u>-</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £	2000 £
On bank deposit	<u>371</u>	<u>33,884</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
Bank loans, overdrafts and other loans repayable within five years	12,138	12,978
Finance leases and hire purchase contracts	131	1,137
	<u>12,269</u>	<u>14,115</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£	£
United Kingdom corporation tax at 22% (2000 – 27%) based on the profit for the year	37,450	85,857
Deferred taxation	4,750	57,829
	<u>42,200</u>	<u>143,686</u>
Adjustments to prior years' tax provisions		
Corporation tax	-	608
	<u>42,200</u>	<u>144,294</u>

The tax charge is disproportionate to the profit for the year, due to the availability of group relief for which no charge has been made.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

8. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation					
At 1 January 2001	662,214	1,666,965	103,798	103,560	2,536,537
Additions	43,996	97,684	-	48,259	189,939
Disposals	-	-	(41,320)	(15,234)	(56,554)
At 31 December 2001	706,210	1,764,649	62,478	136,585	2,669,922
Accumulated depreciation					
At 1 January 2001	37,382	931,837	76,477	61,432	1,107,128
Charge for the year	7,062	83,281	6,721	19,752	116,816
Disposals	-	-	(35,238)	(6,575)	(41,813)
At 31 December 2001	44,444	1,015,118	47,960	74,609	1,182,131
Net book value					
At 31 December 2001	661,766	749,531	14,518	61,976	1,487,791
At 31 December 2000	624,832	735,128	27,321	42,128	1,429,409

Comparable amounts determined according to the historical cost convention:

Cost	528,116	1,575,649	62,478	136,585	2,302,828
Accumulated depreciation	(35,855)	(858,939)	(47,960)	(74,609)	(1,017,363)
Net book value					
At 31 December 2001	492,261	716,710	14,518	61,976	1,285,465
At 31 December 2000	457,506	698,660	27,321	42,128	1,225,615

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 2001**9. STOCKS**

	2001 £	2000 £
Raw materials and consumables	355,747	537,738
Work-in-progress	21,829	12,295
Finished goods and goods for resale	386,460	456,132
	<u>764,036</u>	<u>1,006,165</u>

10. DEBTORS

	2001 £	2000 £
Trade debtors	1,856,824	1,412,387
Amounts owed by group undertakings	1,170,000	1,026,000
Other debtors	50,000	50,000
	<u>3,076,824</u>	<u>2,488,387</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	108,684	147,513
Trade creditors	1,525,367	1,407,245
Obligations under finance leases and hire purchase contracts	-	816
Bills of exchange payable	-	107
Current corporation tax	37,450	85,857
Other taxes and social security	202,557	132,511
Accruals and deferred income	217,770	214,626
	<u>2,091,828</u>	<u>1,988,675</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 2001

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 January 2001	164,218
Profit and loss account charge	4,750
Balance at 31 December 2001	168,968

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

	Provided 2001 £	Provided 2000 £	Not Provided 2001 £	Not provided 2000 £
Capital allowances in advance of depreciation	168,968	164,218	-	-

13. CALLED UP SHARE CAPITAL

	2001 £	2000 £
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 2001

14. STATEMENT OF RESERVES

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2001	203,794	30,000	2,478,170	2,711,964
Profit for the year	-	-	395,875	395,875
Transfer of realised revaluation reserve	(1,468)	-	1,468	-
Balance at 31 December 2001	<u>202,326</u>	<u>30,000</u>	<u>2,875,513</u>	<u>3,107,839</u>

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

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	395,875	274,857
Opening shareholders' funds	<u>2,772,464</u>	<u>2,497,607</u>
Closing shareholders' funds	<u>3,168,339</u>	<u>2,772,464</u>

16. FINANCIAL COMMITMENTS

Operating lease commitments

	Land and Buildings £	Other £
Leases which expire:		
Within two to five years	-	29,397

17. 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 2001, the total contingent liability in respect of group borrowings was £2,200,000.

A financial guarantee for £50,000 in favour of H M Customs & Excise is in place.

18. ULTIMATE PARENT COMPANY

The entire issued share capital of the company is owned by Carron Holdings Limited, a company registered in Scotland. Copies of the group financial statements are available from Companies House in Edinburgh.