



CARRON BATHROOMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002

CARRON BATHROOMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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CARRON BATHROOMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

D McMorrine
J Hewitt
M Clarke
A Lawson

Company Secretary

Keith Haig

Registered Office

Stenhouse Road
Carron
Falkirk
FK2 8UW

Auditors

Chiene & Tait, CA
Chartered Accountants
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Solicitors

Tods Murray WS
66 Queen Street
Edinburgh
EH2 4NE

CARRON BATHROOMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2002.

Principal activities and business review

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

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002 £	2001 £
Dividends paid on ordinary shares	<u>817,000</u>	<u>-</u>

The directors and their interests in shares of the company

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

J Hewitt	
D McMorris	(Appointed 20 August 2002)
M Clarke	(Appointed 20 August 2002)
A Lawson	(Appointed 20 August 2002)

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, 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. The directors 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.

CARRON BATHROOMS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2002

Auditors

The previous auditors, Deloitte & Touche, resigned and Chiene & Tait, CA were appointed in their place.

A resolution to re-appoint Chiene & Tait, CA as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



Keith Haig
Company Secretary

Approved by the directors on 3 April 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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 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.

CARRON BATHROOMS LIMITED



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

YEAR ENDED 31 DECEMBER 2002

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 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

CHIENE & TAIT, CA
Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

..... 10 April, 2003

CARRON BATHROOMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
Turnover	2	10,791,102	9,938,702
Cost of sales		<u>8,370,737</u>	<u>8,232,563</u>
Gross profit		2,420,365	1,706,139
Distribution costs		1,049,662	881,598
Administrative expenses		538,548	374,568
Other operating income		13,034	–
Operating profit	3	845,189	449,973
Interest receivable		4,744	371
Interest payable	6	<u>(5,429)</u>	<u>(12,269)</u>
Profit on ordinary activities before taxation		844,504	438,075
Tax on profit on ordinary activities	7	<u>242,405</u>	<u>42,200</u>
Profit on ordinary activities after taxation		602,099	395,875
Dividends	8	817,000	–
(Loss)/retained profit for the financial year		<u>(214,901)</u>	<u>395,875</u>

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

All of the activities of the company are classed as continuing.

The notes on pages 8 to 13 form part of these financial statements.

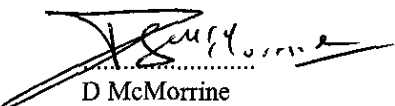
CARRON BATHROOMS LIMITED

BALANCE SHEET

31 DECEMBER 2002

	Note	£	2002 £	2001 £
Fixed assets				
Tangible assets	9		1,680,768	1,487,791
Current assets				
Stock	10	879,365		764,036
Debtors	11	2,642,437		3,076,824
Cash at bank and in hand		195,500		100,484
		3,717,302		3,941,344
Creditors: amounts falling due within one year	12	2,272,832		2,091,828
Net current assets			1,444,470	1,849,516
Total assets less current liabilities			3,125,238	3,337,307
Provisions for liabilities and charges				
Deferred taxation	13		171,800	168,968
			2,953,438	3,168,339
Capital and reserves				
Called-up equity share capital	15		60,500	60,500
Revaluation reserve	16		202,326	202,326
Other reserves	16		30,000	30,000
Profit and Loss Account	16		2,660,612	2,875,513
Shareholders' funds	16		2,953,438	3,168,339

These financial statements were approved by the directors on 3 April 2003 and are signed on their behalf by:


D McMorrine


J Hewitt

The notes on pages 8 to 13 form part of these financial statements.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. Accounting policies

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) 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

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.

Depreciation

Tangible fixed assets

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:

Freehold Property	- 1% straight line
Plant & Machinery	- 10% straight line
Motor Vehicles	- 25% straight line
Fixtures, Fittings, Tools and Equipment	- 15% to 33 1/3% straight line

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.

Pension costs

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

Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19.

Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Although there has been a change in accounting policy, no prior period adjustment is required as the effect is immaterial.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are translated at the rate prevailing at the date of the transactions. 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.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their 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.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002 £	2001 £
Turnover	<u>10,791,102</u>	<u>9,938,702</u>

No split of turnover between geographical segments has been disclosed due to the commercial sensitivity of this information.

3. Operating profit

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation	143,491	116,816
Loss on disposal of fixed assets	5,631	10,192
Auditors' remuneration		
- as auditors	8,250	8,122
Operating lease costs:		
Plant and equipment	2,030	36,601
Vehicles	13,263	14,031
Net loss/(profit) on foreign currency translation	<u>35,135</u>	<u>(23,243)</u>

4. Particulars of employees

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

	2002 No.	2001 No.
Number of production staff	118	93
Number of administration and management	18	15
	<u>136</u>	<u>108</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

4. Particulars of employees *(continued)*

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	2,337,844	2,011,128
Social security costs	206,413	182,428
Pensions costs	60,469	43,243
	<u>2,604,726</u>	<u>2,236,799</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable	190,677	150,051
Value of company pension contributions to money purchase schemes	19,373	—
Amounts receivable under long term incentive plans	20,000	—
	<u>230,050</u>	<u>150,051</u>

The aggregate emoluments of the highest paid director in respect of qualifying services were £111,218 and contributions paid to money purchase pension schemes were £15,000.

The number of directors who are accruing benefits under company pension schemes were as follows:

	2002 No.	2001 No.
Money purchase schemes	<u>3</u>	<u>—</u>

6. Interest payable

	2002 £	2001 £
Interest payable on bank borrowing	5,429	12,138
Finance charges	—	131
	<u>5,429</u>	<u>12,269</u>

7. Tax on profit on ordinary activities

(a) Taxation

	2002 £	2001 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	135,643	37,450
Group relief	111,921	—
Adjustments in respect of previous periods	(7,991)	—
Total current tax	<u>239,573</u>	<u>37,450</u>
Deferred tax:		
Increase in deferred tax provision	2,832	4,750
Tax on profit on ordinary activities	<u>242,405</u>	<u>42,200</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>844,504</u>	<u>438,075</u>
Profit on ordinary activities at the full rate of corporation tax in the UK of 30%	253,351	131,423
Expenses not deductible for tax purposes	4,308	(4,393)
Capital allowances for period in excess of depreciation	(2,832)	(4,750)
Small companies rate	(7,263)	—
Adjustments in respect of previous periods	(7,991)	—
Group relief	—	(84,830)
Total current tax (note 7(a))	<u>239,573</u>	<u>37,450</u>

8. Dividends

The following dividends have been paid in respect of the year:

	2002 £	2001 £
Dividend paid on ordinary shares	<u>817,000</u>	<u>—</u>

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Fixtures, Fittings, Tools and Equipment £	Total £
Cost or valuation					
At 1 January 2002	706,210	1,764,649	62,478	136,585	2,669,922
Additions	121,500	97,965	37,303	89,331	346,099
Disposals	—	—	(35,013)	—	(35,013)
At 31 December 2002	<u>827,710</u>	<u>1,862,614</u>	<u>64,768</u>	<u>225,916</u>	<u>2,981,008</u>
Depreciation					
At 1 January 2002	44,444	1,015,118	47,960	74,609	1,182,131
Charge for the year	8,277	84,750	12,691	37,773	143,491
On disposals	—	—	(25,382)	—	(25,382)
At 31 December 2002	<u>52,721</u>	<u>1,099,868</u>	<u>35,269</u>	<u>112,382</u>	<u>1,300,240</u>
Net book value					
At 31 December 2002	<u>774,989</u>	<u>762,746</u>	<u>29,499</u>	<u>113,534</u>	<u>1,680,768</u>
At 31 December 2001	<u>661,766</u>	<u>749,531</u>	<u>14,518</u>	<u>61,976</u>	<u>1,487,791</u>

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.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

10. Stocks

	2002 £	2001 £
Raw materials	328,429	355,747
Work in progress	20,409	21,829
Finished goods	530,527	386,460
	<u>879,365</u>	<u>764,036</u>

11. Debtors

	2002 £	2001 £
Trade debtors	1,990,808	1,856,824
Amounts owed by group undertakings	601,629	1,170,000
Other debtors	50,000	50,000
	<u>2,642,437</u>	<u>3,076,824</u>

12. Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	146,808	108,684
Trade creditors	1,498,899	1,525,367
Corporation tax	135,643	37,450
Other taxation and social security	200,764	202,557
Accruals and deferred income	290,718	217,770
	<u>2,272,832</u>	<u>2,091,828</u>

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

13. Deferred taxation

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	168,968	164,218
Profit and Loss Account movement arising during the year	2,832	4,750
Provision carried forward	<u>171,800</u>	<u>168,968</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Accelerated capital allowances	177,800	168,968
Short term timing differences	(6,000)	—
	<u>171,800</u>	<u>168,968</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

14. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

15. Share capital

Authorised share capital:

	2002 £	2001 £
68,807 Ordinary A shares of £1 each	68,807	68,807
11,093 Ordinary B shares of £1 each	11,093	11,093
	<u>79,900</u>	<u>79,900</u>

Allotted, called up and fully paid:

	2002 No.	£	2001 No.	£
Ordinary A shares	49,407	49,407	49,407	49,407
Ordinary B shares	11,093	11,093	11,093	11,093
	<u>60,500</u>	<u>60,500</u>	<u>60,500</u>	<u>60,500</u>

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.

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Revaluation reserve	Capital redemption reserve	Profit and loss account	Total share- holders' funds
	£	£	£	£	£
Balance brought forward	60,500	202,326	30,000	2,875,513	3,168,339
Retained profit for the year	-	-	-	602,099	602,099
Dividends	-	-	-	(817,000)	(817,000)
Balance carried forward	<u>60,500</u>	<u>202,326</u>	<u>30,000</u>	<u>2,660,612</u>	<u>2,953,438</u>

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 2002, the total contingent liability in respect of group borrowings was £2,100,000.

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

18. Capital commitments

The company had capital expenditure contracted for but not provided for in the financial statements totaling £90,000 for the construction of a new warehouse and purchase of tools.

19. 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.