

CARRON BATHROOMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003



CARRON BATHROOMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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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
61 Dublin Street
Edinburgh
EH3 6NL

Solicitors

Blackharrow Business Law
1 St Colme Street
Edinburgh
EH3 6AA

CARRON BATHROOMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2003.

Principal activities

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:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>230,000</u>	<u>817,000</u>

Directors

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

D McMorine
J Hewitt
M Clarke
A Lawson

The company is a wholly owned subsidiary and the interests of the 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 6 to 7, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

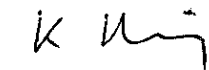
prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

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 31/3/04

CARRON BATHROOMS LIMITED



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements on pages 4 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 6 to 7.

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 auditors' 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 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 law and United Kingdom Accounting Standards.

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.

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.

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 2003 and of its profit 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

31 March 2004

A handwritten signature in black ink, likely belonging to a member of the Chiene & Tait audit firm.

CARRON BATHROOMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
Turnover	2	11,694,984	10,791,102
Cost of sales		9,024,166	8,370,737
Gross profit		2,670,818	2,420,365
Distribution costs		1,129,335	1,049,662
Administrative expenses		625,106	538,548
Other operating income		—	(13,034)
Operating profit	3	916,377	845,189
Interest receivable		2,711	4,744
Interest payable	6	(12,507)	(5,429)
Profit on ordinary activities before taxation		906,581	844,504
Tax on profit on ordinary activities	7	263,168	242,405
Profit on ordinary activities after taxation		643,413	602,099
Dividends	8	230,000	817,000
Retained profit/(loss) for the financial year		413,413	(214,901)
Balance brought forward		2,660,612	2,875,513
Balance carried forward		3,074,025	2,660,612

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

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

The notes on pages 6 to 13 form part of these financial statements.

CARRON BATHROOMS LIMITED

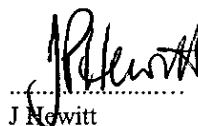
BALANCE SHEET

31 DECEMBER 2003

	Note	£	2003 £	2002 £
Fixed assets				
Tangible assets	9		1,914,787	1,680,768
Current assets				
Stocks	10	818,785		879,365
Debtors	11	2,542,937		2,040,808
Amounts owed by group undertakings falling due after one year		1,103,546		601,629
Cash at bank and in hand		27,497		195,500
		4,492,765		3,717,302
Creditors: amounts falling due within one year	12	2,755,394		2,272,832
Net current assets			1,737,371	1,444,470
Total assets less current liabilities			3,652,158	3,125,238
Creditors: amounts falling due after more than one year	13		108,799	—
			3,543,359	3,125,238
Provisions for liabilities and charges				
Deferred taxation	15		176,508	171,800
			3,366,851	2,953,438
Capital and reserves				
Called-up equity share capital	18		60,500	60,500
Revaluation reserve	19		202,326	202,326
Other reserves	19		30,000	30,000
Profit and loss account			3,074,025	2,660,612
Shareholders' funds	20		3,366,851	2,953,438

These financial statements were approved by the directors on the 31/12/04 and are signed on their behalf by:


D McMorine


J Hewitt

The notes on pages 6 to 13 form part of these financial statements.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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
Equipment	- 15%-33% 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 prices less all further costs to completion and relevant marketing, selling and distribution costs.

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.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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.

Deferred taxation

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.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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:

	2003 £	2002 £
United Kingdom	<u>11,694,984</u>	<u>10,791,102</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:

	2003 £	2002 £
Directors' emoluments	373,625	190,677
Depreciation	162,182	143,491
Depreciation of assets held under hire purchase agreements	16,200	—
Loss on disposal of fixed assets	—	5,631
Auditors' remuneration		
- as auditors	10,000	8,250
- for other services	11,191	8,587
Operating lease costs:		
Plant and equipment	3,509	2,030
Vehicles	23,186	13,263
Net loss on foreign currency translation	<u>38,057</u>	<u>35,135</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

4. Particulars of employees

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

	2003 No	2002 No
Number of production staff	127	118
Number of administration and management	17	18
	<u>144</u>	<u>136</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	2,623,290	2,337,844
Social security costs	263,346	206,413
Other pension costs	87,512	60,469
	<u>2,974,148</u>	<u>2,604,726</u>

5. Directors' emoluments

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

	2003 £	2002 £
Emoluments receivable	373,625	190,677
Amounts receivable under long-term incentive schemes:		
Money receivable	16,000	20,000
Value of company pension contributions to money purchase schemes	31,977	19,373
	<u>421,602</u>	<u>230,050</u>

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

	2003 No	2002 No
Money purchase schemes	<u>3</u>	<u>3</u>

6. Interest payable

	2003 £	2002 £
Interest payable on bank borrowing	9,088	5,429
Finance charges	3,419	—
	<u>12,507</u>	<u>5,429</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	145,839	135,643
Over/under provision in prior year	(1,228)	(7,991)
	<u>144,611</u>	<u>127,652</u>
Group relief	113,849	111,921
Total current tax	<u>258,460</u>	<u>239,573</u>
Deferred tax:		
Increase in deferred tax provision	4,708	2,832
Tax on profit on ordinary activities	<u>263,168</u>	<u>242,405</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>906,581</u>	<u>844,504</u>
Profit on ordinary activities at the full rate of corporation tax in the UK of 30%	271,974	253,351
Expenses not deductible for tax purposes	4,137	4,308
Capital allowances for period in excess of depreciation	(20,874)	(2,832)
Adjustments in respect of previous periods	(1,228)	(7,991)
Small companies rate	(349)	(7,263)
Other timing differences	4,800	—
Total current tax (note 7(a))	<u>258,460</u>	<u>239,573</u>

(c) Factors affecting future tax charges

No tax liability would arise on the sale of the Freehold Property at its revalued amount due to the existence of indexation allowance.

8. Dividends

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

	2003 £	2002 £
Dividend paid on ordinary shares	<u>230,000</u>	<u>817,000</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Equipment £	Total £
Cost or valuation					
At 1 January 2003	827,710	1,862,614	64,768	225,917	2,981,009
Additions	68,159	303,740	24,000	16,701	412,600
Disposals	—	—	(16,765)	—	(16,765)
At 31 December 2003	895,869	2,166,354	72,003	242,618	3,376,844
Depreciation					
At 1 January 2003	52,721	1,099,868	35,269	112,382	1,300,240
Charge for the year	8,958	106,614	21,299	41,511	178,382
On disposals	—	—	(16,565)	—	(16,565)
At 31 December 2003	61,679	1,206,482	40,003	153,893	1,462,057
Net book value					
At 31 December 2003	834,190	959,872	32,000	88,725	1,914,787
At 31 December 2002	774,989	762,746	29,499	113,535	1,680,768

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.

The property of the company is provided as security for a loan facility taken out by the parent company.

Hire purchase agreements

Included within the net book value of £1,914,787 is £145,800 (2002 - £Nil) 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 £16,200 (2002 - £Nil).

10. Stocks

	2003 £	2002 £
Raw materials	404,087	328,429
Work in progress	13,084	20,409
Finished goods	401,614	530,527
	818,785	879,365

11. Debtors

	2003 £	2002 £
Trade debtors	2,534,291	1,990,808
Other debtors	8,646	50,000
	2,542,937	2,040,808

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

12. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	492,757	146,808
Trade creditors	1,521,915	1,498,899
Corporation tax	145,839	135,643
Other taxation and social security	293,626	200,764
Hire purchase agreements	26,472	—
Accruals and deferred income	274,785	290,718
	<u>2,755,394</u>	<u>2,272,832</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2003 £	2002 £
Bank loans and overdrafts	<u>492,757</u>	<u>146,808</u>

13. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Hire purchase agreements	<u>108,799</u>	<u>—</u>

14. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	26,472	—
Amounts payable between 1 and 2 years	28,170	—
Amounts payable between 3 and 5 years	80,629	—
	<u>135,271</u>	<u>—</u>

15. Deferred taxation

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	171,800	168,968
Profit and loss account movement arising during the year	4,708	2,832
Provision carried forward	<u>176,508</u>	<u>171,800</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

15. Deferred taxation *(continued)*

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

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	176,508	171,800
	<u>176,508</u>	<u>171,800</u>

16. Contingencies

The company has entered into a guarantee to the group's bank in respect of the borrowings of its parent company. At 31 December 2003, the total contingent liability in respect of group borrowings was £2,600,000 (2002: £2,100,000).

A financial guarantee for £10,000 in favour of H M Customs & Excise is in place.

17. Related party transactions

Information on related parties is not given as the exemption under FRS 8 is applicable as the consolidated group accounts are publicly available.

18. Share capital

Authorised share capital:

	2003 £	2002 £
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:

	2003		2002	
	No	£	No	£
Ordinary A shares of £1 each	49,407	49,407	49,407	49,407
Ordinary B shares of £1 each	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.

19. Revaluation reserve and other reserves

	2003 £	2002 £
Revaluation reserve	202,326	202,326
Capital redemption reserve	<u>30,000</u>	<u>30,000</u>

The revaluation reserve arose on the revaluation of certain freehold property and plant and machinery as described in note 9.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

20. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	643,413	602,099
Dividends	(230,000)	(817,000)
	<u>413,413</u>	<u>(214,901)</u>
Opening shareholders' equity funds	2,953,438	3,168,339
Closing shareholders' equity funds	<u>3,366,851</u>	<u>2,953,438</u>

21. Operating lease commitments

At 31 December 2003 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2003 £	2002 £
Operating leases which expire:		
Within 1 year	14,220	-
Within 2 to 5 years	23,218	16,820
	<u>37,438</u>	<u>16,820</u>

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002 - £90,000).

23. Ultimate parent company and ultimate controlling party

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.