

Company Registration Number SC80506

CARRON BATHROOMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004



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CARRON BATHROOMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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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 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and review of the business

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:

	2004 £	2003 £
Dividends paid on ordinary shares	<u>200,000</u>	<u>230,000</u>
	<u>200,000</u>	<u>230,000</u>

Directors

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

D McMorris
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 7 to 8, 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 2004

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 March 2005

CARRON BATHROOMS LIMITED



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements on pages 5 to 14 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 7 to 8.

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 2004 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 2005

CARRON BATHROOMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Turnover	2	13,899,395	11,694,984
Cost of sales		10,548,290	9,024,166
Gross profit		3,351,105	2,670,818
Distribution costs		1,282,533	1,129,335
Administrative expenses		815,171	625,106
Operating profit	3	1,253,401	916,377
Interest receivable		3,746	2,711
Interest payable	6	(14,483)	(12,507)
Profit on ordinary activities before taxation		1,242,664	906,581
Tax on profit on ordinary activities	7	385,187	263,168
Profit on ordinary activities after taxation		857,477	643,413
Dividends	8	200,000	230,000
Retained profit for the financial year		657,477	413,413
Balance brought forward		3,074,025	2,660,612
Balance carried forward		3,731,502	3,074,025

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 7 to 14 form part of these financial statements.

CARRON BATHROOMS LIMITED

BALANCE SHEET

31 DECEMBER 2004

	Note	£	2004 £	2003 £
Fixed assets				
Tangible assets	9		2,184,224	1,914,787
Current assets				
Stocks	10	1,134,049		818,785
Debtors due within one year	11	2,234,525		2,542,937
Debtors due after one year	11	1,675,849		1,103,546
Cash at bank and in hand		584,846		27,497
		5,629,269		4,492,765
Creditors: amounts falling due within one year	12	3,524,227		2,755,394
Net current assets			2,105,042	1,737,371
Total assets less current liabilities			4,289,266	3,652,158
Creditors: amounts falling due after more than one year	13		80,629	108,799
			4,208,637	3,543,359
Provisions for liabilities and charges				
Deferred taxation	15		184,309	176,508
			4,024,328	3,366,851
Capital and reserves				
Called-up equity share capital	19		60,500	60,500
Revaluation reserve			202,326	202,326
Other reserves	20		30,000	30,000
Profit and loss account			3,731,502	3,074,025
Shareholders' funds	21		4,024,328	3,366,851

These financial statements were approved by the directors on the 31.03.05 and are signed on their behalf by:


D McMorrine

The notes on pages 7 to 14 form part of these financial statements.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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 1996) 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 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 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.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. Accounting policies *(continued)*

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.

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:

	2004 £	2003 £
United Kingdom	<u>13,899,395</u>	<u>11,694,984</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):

	2004 £	2003 £
Directors' emoluments	432,948	373,625
Depreciation	158,771	162,182
Depreciation of assets held under hire purchase agreements	16,200	16,200
Auditors' remuneration		
- as auditors	11,000	10,000
- for other services	11,947	11,191
Operating lease costs:		
Plant and equipment	4,452	3,509
Vehicles	37,698	23,186
Net (profit)/loss on foreign currency translation	<u>(14,518)</u>	<u>38,057</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

4. Particulars of employees

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

	2004 No	2003 No
Number of production staff	150	127
Number of administration and management	17	17
	<u>167</u>	<u>144</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	3,179,277	2,623,290
Social security costs	281,885	263,346
Other pension costs	119,564	87,512
	<u>3,580,726</u>	<u>2,974,148</u>

5. Directors' emoluments

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

	2004 £	2003 £
Emoluments receivable	432,948	373,625
Amounts receivable under long-term incentive schemes:		
Money receivable	25,000	16,000
Value of company pension contributions to money purchase schemes	47,175	31,977
	<u>505,123</u>	<u>421,602</u>

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

	2004 No	2003 No
Money purchase schemes	<u>3</u>	<u>3</u>

6. Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	7,480	9,088
Finance charges	7,003	3,419
	<u>14,483</u>	<u>12,507</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	244,212	145,839
Over/under provision in prior year	(826)	(1,228)
	<u>243,386</u>	<u>144,611</u>
Group relief	134,000	113,849
Total current tax	<u>377,386</u>	<u>258,460</u>
Deferred tax:		
Origination and reversal of timing differences	7,801	4,708
Tax on profit on ordinary activities	<u>385,187</u>	<u>263,168</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>1,242,664</u>	<u>906,581</u>
Profit on ordinary activities at the full rate of corporation tax in the UK of 30%	372,799	271,974
Expenses not deductible for tax purposes	14,338	4,137
Capital allowances for period in excess of depreciation	(20,629)	(20,874)
Adjustments in respect of previous periods	(826)	(1,228)
Small companies rate	-	(349)
Other timing differences	11,704	4,800
Total current tax (note 7(a))	<u>377,386</u>	<u>258,460</u>

8. Dividends

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

	2004 £	2003 £
Dividend paid on ordinary shares	<u>200,000</u>	<u>230,000</u>
	<u>200,000</u>	<u>230,000</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Equipment £	Total £
Cost or valuation					
At 1 January 2004	895,869	2,166,354	72,003	242,618	3,376,844
Additions	20,336	405,441	—	18,631	444,408
Disposals	—	(15,962)	(10,700)	—	(26,662)
At 31 December 2004	916,205	2,555,833	61,303	261,249	3,794,590
Depreciation					
At 1 January 2004	61,679	1,206,482	40,003	153,893	1,462,057
Charge for the year	9,162	109,742	16,099	39,968	174,971
On disposals	—	(15,962)	(10,700)	—	(26,662)
At 31 December 2004	70,841	1,300,262	45,402	193,861	1,610,366
Net book value					
At 31 December 2004	845,364	1,255,571	15,901	67,388	2,184,224
At 31 December 2003	834,190	959,872	32,000	88,725	1,914,787

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 £2,184,224 is £129,600 (2003 - £145,800) 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 (2003 - £16,200).

10. Stocks

	2004 £	2003 £
Raw materials	631,009	404,087
Work in progress	45,082	13,084
Finished goods	457,958	401,614
	1,134,049	818,785

11. Debtors

	2004 £	2003 £
Trade debtors	2,175,742	2,534,291
Amounts owed by group undertakings	1,675,849	1,103,546
Other debtors	58,783	8,646
	4,110,374	3,646,483

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

11. Debtors *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2004 £	2003 £
Amounts owed by group undertakings	<u>1,675,849</u>	<u>1,103,546</u>

12. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	210,614	492,757
Trade creditors	2,282,205	1,521,915
Corporation tax	244,212	145,839
Other taxation and social security	342,095	293,626
Hire purchase agreements	28,170	26,472
Accruals and deferred income	416,931	274,785
	<u>3,524,227</u>	<u>2,755,394</u>

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

	2004 £	2003 £
Bank loans and overdrafts	<u>210,614</u>	<u>492,757</u>

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

	2004 £	2003 £
Hire purchase agreements	<u>80,629</u>	<u>108,799</u>

14. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	28,170	26,472
Amounts payable between 1 and 2 years	29,867	28,170
Amounts payable between 3 and 5 years	50,762	80,629
	<u>108,799</u>	<u>135,271</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

15. Deferred taxation

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	176,508	171,800
Profit and loss account movement arising during the year	7,801	4,708
Provision carried forward	<u>184,309</u>	<u>176,508</u>

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

	2004 £	2003 £
Excess of taxation allowances over depreciation on fixed assets	184,309	176,508
	<u>184,309</u>	<u>176,508</u>

16. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2004 £	2003 £
Operating leases which expire:		
Within 1 year	5,254	14,220
Within 2 to 5 years	36,230	23,218
	<u>41,484</u>	<u>37,438</u>

17. 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 2004, the total contingent liability in respect of group borrowings was £2,500,000 (2003: £2,600,000).

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

18. 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.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

19. Share capital

Authorised share capital:

	2004 £	2003 £
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:

	2004		2003	
	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.

20. Other reserves

	2004 £	2003 £
Capital redemption reserve	<u>30,000</u>	<u>30,000</u>

21. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	857,477	643,413
Dividends	(200,000)	(230,000)
	<u>657,477</u>	<u>413,413</u>
Opening shareholders' equity funds	<u>3,366,851</u>	<u>2,953,438</u>
Closing shareholders' equity funds	<u>4,024,328</u>	<u>3,366,851</u>

22. 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.