

Company Registration Number SC80506

CARRON BATHROOMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005



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CARRON BATHROOMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

Contents	Pages
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditor's report to the shareholders	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 to 15
The following pages do not form part of the financial statements	
Detailed profit and loss account	17 to 18

CARRON BATHROOMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

D McMorine
J Hewitt
M Clarke
A Lawson

Company Secretary

D McMorine

Auditor

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

Bankers

Bank of Scotland
Unit 15
Howgate Centre
Falkirk
FK1 1HG

Solicitors

Blackharrow Business Law
1 St Colme Street
Edinburgh
EH3 6AA

CARRON BATHROOMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company during the year was that of the manufacture of baths and bathroom products. The directors consider the performance of the company to be satisfactory.

Results and dividends

The profit for the year, after taxation, amounted to £729,662 (2004 : £857,477). During the year dividends of £400,000 (2004 : £200,000) were paid.

Directors

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

D McMorrine
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

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that year. 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.

Post balance sheet event

Details of post balance sheet events are included within note 23 of the financial statements.

CARRON BATHROOMS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

Auditor

A resolution to re-appoint Chiene + Tait as auditor 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


D McMorrine
Company Secretary

Approved by the directors on 29 June 2006



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CARRON BATHROOMS LIMITED

YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Carron Bathrooms Limited for the year ended 31 December 2005 on pages 5 to 15 which have been prepared on the basis of 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 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CHIENE + TAIT
Chartered Accountants & Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

30 JUNE 2006

CARRON BATHROOMS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 £
Turnover	2	14,416,188	13,899,395
Cost of sales		11,173,810	10,548,290
Gross profit		3,242,378	3,351,105
Distribution costs		1,244,735	1,282,533
Administrative expenses		939,838	815,171
Operating profit	3	1,057,805	1,253,401
Interest receivable		11,683	3,746
Interest payable and similar charges	6	(18,327)	(14,483)
Profit on ordinary activities before taxation		1,051,161	1,242,664
Tax on profit on ordinary activities	7	321,499	385,187
Profit for the financial year		<u>729,662</u>	<u>857,477</u>

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.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 7 to 15 form part of these financial statements.

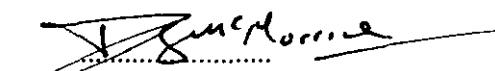
CARRON BATHROOMS LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Note	£	2005 £	2004 £
Fixed assets				
Tangible assets	9		2,104,309	2,184,224
Current assets				
Stocks	10	1,025,894		1,134,049
Debtors due within one year	11	1,816,929		2,234,525
Debtors due after one year	11	2,278,966		1,675,849
Cash at bank and in hand		296,385		584,846
		5,418,174		5,629,269
Creditors: amounts falling due within one year	12	2,774,960		3,524,227
Net current assets			2,643,214	2,105,042
Total assets less current liabilities			4,747,523	4,289,266
Creditors: amounts falling due after more than one year	13		194,730	80,629
			4,552,793	4,208,637
Provisions for liabilities				
Deferred taxation	15		198,803	184,309
			4,353,990	4,024,328
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	21		4,061,164	3,731,502
Shareholders' funds	22		4,353,990	4,024,328

These financial statements were approved by the directors on the 29 June 06 and are signed on their behalf by:


D McMorris

The notes on pages 7 to 15 form part of these financial statements.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, including pre FRS 15 revalued fixed assets which are treated as though they were historical cost, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal policies are set out below.

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.

Fixed assets

All fixed assets are initially recorded at cost. Prior to the adoption of FRS15, certain fixed assets were subject to revaluation. Since the adoption of FRS15 the company policy has been not to revalue company assets. Consequently, these book values are treated as though they were historic cost.

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 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.

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

1. Accounting policies (*continued*)

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.

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.

2. Turnover

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

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

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

3. Operating profit

Operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of owned fixed assets	150,500	158,771
Depreciation of assets held under hire purchase agreements	39,797	16,200
Auditor's remuneration		
- as auditor	14,733	11,000
- for other services	1,800	11,947
Operating lease costs:		
Plant and equipment	3,868	4,452
Vehicles	44,214	37,698
Net loss/(profit) on foreign currency translation	9,397	(14,518)

4. Particulars of employees

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

	2005 No	2004 No
Number of production staff	153	150
Number of administration and management	21	17
	<u>174</u>	<u>167</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	3,381,326	3,179,277
Social security costs	347,792	281,885
Other pension costs	114,049	119,564
	<u>3,843,167</u>	<u>3,580,726</u>

5. Directors' emoluments

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

	2005 £	2004 £
Emoluments receivable	502,834	432,948
Amounts receivable under long-term incentive schemes:		
Money receivable	20,000	25,000
Value of company pension contributions to money purchase schemes	46,500	47,175
	<u>569,334</u>	<u>505,123</u>

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

5. Directors' emoluments (*continued*)

Emoluments of highest paid director:

	2005	2004
	£	£
Total emoluments (excluding pension contributions)	<u>218,381</u>	<u>166,095</u>

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

	2005	2004
	No	No
Money purchase schemes	<u>3</u>	<u>3</u>

6. Interest payable and similar charges

	2005	2004
	£	£
Interest payable on bank borrowing	2,059	7,480
Finance charges	<u>16,268</u>	<u>7,003</u>
	<u>18,327</u>	<u>14,483</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	194,445	244,212
Over/under provision in prior year	<u>8,698</u>	<u>(826)</u>
	203,143	243,386
Group relief	<u>103,862</u>	<u>134,000</u>
Total current tax	307,005	377,386
Deferred tax:		
Origination and reversal of timing differences	<u>14,494</u>	<u>7,801</u>
Tax on profit on ordinary activities	<u>321,499</u>	<u>385,187</u>

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

7. Taxation on ordinary activities (continued)

(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% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>1,051,161</u>	<u>1,242,664</u>
Profit on ordinary activities at the full rate of corporation tax in the UK of 30%	315,348	372,799
Expenses not deductible for tax purposes	5,735	14,338
Capital allowances for period in excess of depreciation	(32,147)	(20,629)
Adjustments in respect of previous periods	8,698	(826)
Other timing differences	9,371	11,704
Total current tax (note 7(a))	<u>307,005</u>	<u>377,386</u>

8. Dividends

Dividends on equity shares

	2005 £	2004 £
Paid		
Equity dividends on ordinary shares	<u>400,000</u>	<u>200,000</u>

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Equipment £	Total £
Cost or valuation					
At 1 January 2005	916,205	2,555,833	61,303	261,249	3,794,590
Additions	—	108,752	—	13,631	122,383
Disposals	—	—	(44,153)	—	(44,153)
At 31 December 2005	<u>916,205</u>	<u>2,664,585</u>	<u>17,150</u>	<u>274,880</u>	<u>3,872,820</u>
Depreciation					
At 1 January 2005	70,841	1,300,262	45,402	193,861	1,610,366
Charge for the year	9,162	144,214	3,900	33,021	190,297
On disposals	—	—	(32,152)	—	(32,152)
At 31 December 2005	<u>80,003</u>	<u>1,444,476</u>	<u>17,150</u>	<u>226,882</u>	<u>1,768,511</u>
Net book value					
At 31 December 2005	<u>836,202</u>	<u>1,220,109</u>	<u>—</u>	<u>47,998</u>	<u>2,104,309</u>
At 31 December 2004	<u>845,364</u>	<u>1,255,571</u>	<u>15,901</u>	<u>67,388</u>	<u>2,184,224</u>

Historical cost of freehold property and plant and machinery is £738,111 and £2,475,585.

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

9. Tangible fixed assets (*continued*)

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 £2,104,309 is £325,770 (2004 - £129,600) 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 £39,797 (2004 - £16,200).

10. Stocks

	2005	2004
	£	£
Raw materials	719,800	631,009
Work in progress	13,123	45,082
Finished goods	292,971	457,958
	<u>1,025,894</u>	<u>1,134,049</u>

11. Debtors

	2005	2004
	£	£
Trade debtors	1,755,790	2,175,742
Amounts owed by group undertakings	2,278,966	1,675,849
Other debtors	61,139	58,783
	<u>4,095,895</u>	<u>3,910,374</u>

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

	2005	2004
	£	£
Amounts owed by group undertakings	<u>2,278,966</u>	<u>1,675,849</u>

12. Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	98,504	210,614
Trade creditors	1,883,554	2,282,205
Corporation tax	74,445	244,212
Other taxation and social security	327,344	342,095
Hire purchase agreements	69,402	28,170
Accruals and deferred income	321,711	416,931
	<u>2,774,960</u>	<u>3,524,227</u>

CARRON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

12. Creditors: amounts falling due within one year (*continued*)

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

	2005	2004
	£	£
Bank loans and overdrafts	<u>98,504</u>	<u>210,614</u>

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

	2005	2004
	£	£
Hire purchase agreements	<u>194,730</u>	<u>80,629</u>

14. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2005	2004
	£	£
Amounts payable within 1 year	69,402	28,170
Amounts payable between 1 and 2 years	73,945	29,867
Amounts payable between 3 and 5 years	120,785	50,762
	<u>264,132</u>	<u>108,799</u>

15. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Provision brought forward	184,309	176,508
Profit and loss account movement arising during the year	14,494	7,801
Provision carried forward	<u>198,803</u>	<u>184,309</u>

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	198,803	184,309
	<u>198,803</u>	<u>184,309</u>

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

16. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 1 year	25,527	5,254
Within 2 to 5 years	46,469	36,230
	<u>71,996</u>	<u>41,484</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 2005, the total contingent liability in respect of group borrowings was £1,101,818 (2004: £2,500,000).

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.

19. Share capital

Authorised share capital:

	2005	2004
	£	£
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:

	2005		2004	
	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>
Equity shares				
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.

CARRON BATHROOMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

20. Other reserves

	2005	2004
	£	£
Capital redemption reserve	<u>30,000</u>	<u>30,000</u>

21. Profit and loss account

	2005	2004
	£	£
Balance brought forward	3,731,502	3,074,025
Profit for the financial year	729,662	857,477
Equity dividends paid	(400,000)	(200,000)
Balance carried forward	<u>4,061,164</u>	<u>3,731,502</u>

22. Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	729,662	857,477
Equity dividends paid	(400,000)	(200,000)
Net addition to shareholders' funds	329,662	657,477
Opening shareholders' funds	4,024,328	3,366,851
Closing shareholders' funds	<u>4,353,990</u>	<u>4,024,328</u>

23. Post balance sheet events

On 31 March 2006 a dividend of £400,000 was declared and paid to Carron Holdings Limited.

24. 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.