

**CARRON BATHROOMS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2011**



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**CARRON BATHROOMS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

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# **CARRON BATHROOMS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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|                               |                                                                                                           |
|-------------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>The Board of Directors</b> | D McMorine<br>J Hewitt                                                                                    |
| <b>Company Secretary</b>      | D McMorine                                                                                                |
| <b>Registered Office</b>      | Stenhouse Road<br>Carron<br>Falkirk<br>Stirlingshire<br>FK2 8UW                                           |
| <b>Auditor</b>                | Chiene + Tait<br>Chartered Accountants<br>& Statutory Auditor<br>61 Dublin Street<br>Edinburgh<br>EH3 6NL |
| <b>Bankers</b>                | Bank of Scotland<br>Unit 15<br>Howgate Centre<br>Falkirk<br>FK1 1HG                                       |

# **CARRON BATHROOMS LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2011**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2011.

### **Principal activities and business review**

The principal activity of the company during the year was the design and manufacture of acrylic baths and associated bathroom products.

Trading conditions in all the company's markets, both in the UK and overseas, remain very difficult. Demand, which had shown signs of improvement during 2010 and in the early part of 2011, weakened significantly during the summer months before recovering in the fourth quarter. The company's gross margin was squeezed by unprecedented increases in the cost of raw materials and energy, which could not be fully recovered in selling prices. In the circumstances, the company's performance in marginally increasing sales revenue to £11.37 million and achieving a profit before taxation of £468,024 is regarded as satisfactory.

The directors see risk management as an integral part of good governance and assess perceived risks on a regular basis. As well as strategic, financial and operational matters, these also include issues concerning health and safety and compliance with applicable legal and regulatory requirements.

### **Current Trading**

Market conditions in the early part of 2012 have continued to be difficult. However, actions taken to reduce the cost base have ensured that the company continues to trade profitably.

### **Results and dividends**

The profit for the year, before taxation, amounted to £468,024. Particulars of dividends paid are detailed in note 8 to the financial statements.

### **Directors**

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

D McMorris

J Hewitt

M Clarke

(Retired 17 March 2011)

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 Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# CARRON BATHROOMS LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

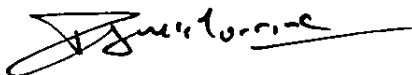
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The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that ought to have been taken to ensure they are aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed by order of the directors



D McMorine  
Company Secretary

Approved by the directors on 28/09/2012

# CARRON BATHROOMS LIMITED

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

YEAR ENDED 31 DECEMBER 2011

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We have audited the financial statements of Carron Bathrooms Limited for the year ended 31 December 2011 on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# CARRON BATHROOMS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CARRON BATHROOMS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2011

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

KENNETH McDOWELL (Senior Statutory Auditor)  
For and on behalf of  
CHIENE + TAIT  
Chartered Accountants & Statutory Auditor

61 Dublin Street  
Edinburgh  
EH3 6NL

30 March 2012

**CARRON BATHROOMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2011**

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|                                                      | Note | 2011<br>£        | 2010<br>£        |
|------------------------------------------------------|------|------------------|------------------|
| Turnover                                             | 2    | 11,369,810       | 11,306,211       |
| Cost of sales                                        |      | 9,119,765        | 8,894,076        |
| <b>Gross profit</b>                                  |      | <b>2,250,045</b> | <b>2,412,135</b> |
| Distribution costs                                   |      | 1,124,577        | 1,130,216        |
| Administrative expenses                              |      | 657,376          | 658,392          |
| <b>Operating profit</b>                              | 3    | <b>468,092</b>   | <b>623,527</b>   |
| Interest receivable                                  |      | 156              | 278              |
| Interest payable and similar charges                 | 6    | (224)            | (440)            |
| <b>Profit on ordinary activities before taxation</b> |      | <b>468,024</b>   | <b>623,365</b>   |
| Tax on profit on ordinary activities                 | 7    | 123,234          | 179,648          |
| <b>Profit for the financial year</b>                 |      | <b>344,790</b>   | <b>443,717</b>   |

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

**CARRON BATHROOMS LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2011**

|                                                                   | 2011<br>£      | 2010<br>£      |
|-------------------------------------------------------------------|----------------|----------------|
| Profit for the financial year<br>attributable to the shareholders | 344,790        | 443,717        |
| Unrealised profit on revaluation of certain fixed assets          | 158,000        | —              |
| Total gains and losses recognised since the last annual report    | <u>502,790</u> | <u>443,717</u> |

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

|                                                                                                                        | 2011<br>£      | 2010<br>£      |
|------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Reported profit on ordinary activities before taxation                                                                 | 468,024        | 623,365        |
| Difference between a historical cost<br>depreciation charge and the actual<br>charge calculated on the revalued amount | <u>12,449</u>  | <u>12,449</u>  |
| Historical cost profit on ordinary activities before taxation                                                          | <u>480,473</u> | <u>635,814</u> |
| Historical cost profit for the year<br>after taxation                                                                  | <u>357,239</u> | <u>456,166</u> |

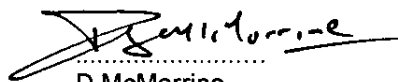
# CARRON BATHROOMS LIMITED

## BALANCE SHEET

31 DECEMBER 2011

|                                                                | Note | £                | 2011<br>£        | 2010<br>£        |
|----------------------------------------------------------------|------|------------------|------------------|------------------|
| <b>Fixed assets</b>                                            |      |                  |                  |                  |
| Tangible assets                                                | 9    |                  | <u>2,210,363</u> | <u>2,245,244</u> |
| <b>Current assets</b>                                          |      |                  |                  |                  |
| Stocks                                                         | 10   | 738,197          |                  | 811,463          |
| Debtors due within one year                                    | 11   | 1,594,864        |                  | 1,700,542        |
| Debtors due after one year                                     | 11   | 2,316,632        |                  | 2,045,868        |
| Cash at bank and in hand                                       |      | <u>210,372</u>   |                  | <u>148,580</u>   |
|                                                                |      | 4,860,065        |                  | 4,706,453        |
| <b>Creditors: amounts falling due within one year</b>          | 12   | <u>2,055,185</u> |                  | <u>2,188,541</u> |
| <b>Net current assets</b>                                      |      |                  | <u>2,804,880</u> | <u>2,517,912</u> |
| <b>Total assets less current liabilities</b>                   |      |                  | <u>5,015,243</u> | <u>4,763,156</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 13   |                  | —                | 13,467           |
| <b>Provisions for liabilities</b>                              |      |                  |                  |                  |
| Deferred taxation                                              | 14   |                  | <u>119,513</u>   | <u>156,749</u>   |
|                                                                |      |                  | <u>4,895,730</u> | <u>4,592,940</u> |
| <b>Capital and reserves</b>                                    |      |                  |                  |                  |
| Called-up equity share capital                                 | 18   |                  | 60,500           | 60,500           |
| Revaluation reserve                                            | 19   |                  | 706,581          | 561,030          |
| Other reserves                                                 | 20   |                  | 30,000           | 30,000           |
| Profit and loss account                                        | 21   |                  | <u>4,098,649</u> | <u>3,941,410</u> |
| <b>Shareholders' funds</b>                                     | 22   |                  | <u>4,895,730</u> | <u>4,592,940</u> |

These financial statements were approved by the directors and authorised for issue on ~~28/02/2012~~ and are signed on their behalf by:



D McMorine

Company Registration Number: SC80506

**CARRON BATHROOMS LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2011**

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|                                                 | Note | £ | 2011<br>£ | 2010<br>£ |
|-------------------------------------------------|------|---|-----------|-----------|
| Net cash inflow from operating activities       | 23   |   | 661,996   | 577,281   |
| Returns on investments and servicing of finance | 23   |   | (68)      | (162)     |
| Taxation                                        | 23   |   | (257,714) | (105,667) |
| Capital expenditure and financial investment    | 23   |   | (117,014) | (179,525) |
| Equity dividends paid                           |      |   | (200,000) | (500,000) |
| Cash inflow/(outflow) before financing          |      |   | 87,200    | (208,073) |
| Financing                                       | 23   |   | (25,408)  | 18,369    |
| Increase/(decrease) in cash                     | 23   |   | 61,792    | (189,704) |

The notes on pages 10 to 19 form part of these financial statements

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

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**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, including pre FRS 15 revalued fixed assets which are treated as though they were historical cost, and in accordance with the Companies Act 2006 and applicable accounting standards. The principal policies are set out below.

**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.

Sales are recognised on delivery of bathroom products to the customer.

**Fixed assets**

All fixed assets are recorded at cost, except for freehold property. Freehold property has been revalued in accordance with FRS 15 and the valuation of the property is considered on an annual basis by the directors for indications of a material change in value.

**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 | - 2% straight line          |
| Plant & Machinery | - 10% straight line         |
| Motor Vehicles    | - 50% 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.

**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 2011**

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**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.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**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:

|                | 2011<br>£         | 2010<br>£         |
|----------------|-------------------|-------------------|
| United Kingdom | <u>11,369,810</u> | <u>11,306,211</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):

|                                                   | 2011<br>£       | 2010<br>£    |
|---------------------------------------------------|-----------------|--------------|
| Depreciation of owned fixed assets                | 293,529         | 284,588      |
| Loss on disposal of fixed assets                  | 16,366          | -            |
| Auditor's remuneration                            |                 |              |
| - as auditor                                      | 14,650          | 14,000       |
| - for other services                              | 5,501           | 5,253        |
| Operating lease costs:                            |                 |              |
| - Plant and equipment                             | 7,475           | 6,093        |
| - Other                                           | 47,094          | 50,866       |
| Net (profit)/loss on foreign currency translation | <u>(31,810)</u> | <u>9,458</u> |

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

**4. Particulars of employees**

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

|                                         | 2011<br>No | 2010<br>No |
|-----------------------------------------|------------|------------|
| Number of production staff              | 102        | 98         |
| Number of administration and management | 21         | 23         |
|                                         | <u>123</u> | <u>121</u> |

The aggregate payroll costs of the above were:

|                       | 2011<br>£        | 2010<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 2,954,886        | 3,034,356        |
| Social security costs | 281,828          | 302,572          |
| Other pension costs   | 48,997           | 69,915           |
|                       | <u>3,285,711</u> | <u>3,406,843</u> |

**5. Directors' remuneration**

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

|                                                                  | 2011<br>£      | 2010<br>£      |
|------------------------------------------------------------------|----------------|----------------|
| Remuneration receivable                                          | 288,752        | 471,569        |
| Value of company pension contributions to money purchase schemes | 30,000         | 53,833         |
|                                                                  | <u>318,752</u> | <u>525,402</u> |

**Remuneration of highest paid director:**

|                                                                  | 2011<br>£      | 2010<br>£      |
|------------------------------------------------------------------|----------------|----------------|
| Total remuneration (excluding pension contributions)             | 152,511        | 191,562        |
| Value of company pension contributions to money purchase schemes | 30,000         | 30,000         |
|                                                                  | <u>182,511</u> | <u>221,562</u> |

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

|                        | 2011<br>No | 2010<br>No |
|------------------------|------------|------------|
| Money purchase schemes | <u>1</u>   | <u>2</u>   |

**6. Interest payable and similar charges**

|                                    | 2011<br>£  | 2010<br>£  |
|------------------------------------|------------|------------|
| Interest payable on bank borrowing | 224        | 381        |
| Finance charges                    | —          | 59         |
|                                    | <u>224</u> | <u>440</u> |

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

**7. Taxation on ordinary activities**  
**(a) Analysis of charge in the year**

|                                                      | 2011<br>£      | 2010<br>£      |
|------------------------------------------------------|----------------|----------------|
| Current tax:                                         |                |                |
| In respect of the year:                              |                |                |
| UK Corporation tax based on the results for the year | 160,195        | 192,353        |
| Group relief                                         | 275            | 1,261          |
| Total current tax                                    | <u>160,470</u> | <u>193,614</u> |
| Deferred tax:                                        |                |                |
| Origination and reversal of timing differences       | (37,236)       | (13,966)       |
| Tax on profit on ordinary activities                 | <u>123,234</u> | <u>179,648</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 26.49% (2010 - 28%).

|                                                         | 2011<br>£      | 2010<br>£      |
|---------------------------------------------------------|----------------|----------------|
| Profit on ordinary activities before taxation           | <u>468,024</u> | <u>623,365</u> |
| Profit on ordinary activities by rate of tax            | 123,994        | 174,542        |
| Expenses not deductible for tax purposes                | 9,320          | 9,997          |
| Capital allowances for period in excess of depreciation | 28,070         | 9,043          |
| Adjustments in respect of previous periods              | (914)          | 914            |
| Other timing differences                                | -              | (882)          |
| Total current tax (note 7(a))                           | <u>160,470</u> | <u>193,614</u> |

**(c) Factors that may affect future tax charges**

No provision has been made for the deferred tax of £6,560 (2010: £nil) arising on the revaluation of freehold property. This amount would become payable in the event of the property being sold, but there are no plans to sell in the foreseeable future.

**8. Dividends**  
**Equity dividends**

|                                     | 2011<br>£      | 2010<br>£      |
|-------------------------------------|----------------|----------------|
| Paid during the year:               |                |                |
| Equity dividends on ordinary shares | <u>200,000</u> | <u>500,000</u> |

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

**9. Tangible fixed assets**

|                            | Freehold<br>Property<br>£ | Plant &<br>Machinery<br>£ | Motor<br>Vehicles<br>£ | Equipment<br>£ | Total<br>£       |
|----------------------------|---------------------------|---------------------------|------------------------|----------------|------------------|
| <b>Cost or valuation</b>   |                           |                           |                        |                |                  |
| At 1 January 2011          | 1,250,000                 | 3,388,479                 | 13,752                 | 183,726        | 4,835,957        |
| Additions                  | —                         | 113,891                   | —                      | 3,123          | 117,014          |
| Disposals                  | —                         | (21,822)                  | —                      | —              | (21,822)         |
| Revaluation                | 100,000                   | —                         | —                      | —              | 100,000          |
| <b>At 31 December 2011</b> | <b>1,350,000</b>          | <b>3,480,548</b>          | <b>13,752</b>          | <b>186,849</b> | <b>5,031,149</b> |
| <b>Depreciation</b>        |                           |                           |                        |                |                  |
| At 1 January 2011          | 29,000                    | 2,414,502                 | 6,752                  | 140,459        | 2,590,713        |
| Charge for the year        | 29,000                    | 235,063                   | 7,000                  | 22,466         | 293,529          |
| On disposals               | —                         | (5,456)                   | —                      | —              | (5,456)          |
| Revaluation adjustment     | (58,000)                  | —                         | —                      | —              | (58,000)         |
| <b>At 31 December 2011</b> | <b>—</b>                  | <b>2,644,109</b>          | <b>13,752</b>          | <b>162,925</b> | <b>2,820,786</b> |
| <b>Net book value</b>      |                           |                           |                        |                |                  |
| <b>At 31 December 2011</b> | <b>1,350,000</b>          | <b>836,439</b>            | <b>—</b>               | <b>23,924</b>  | <b>2,210,363</b> |
| At 31 December 2010        | 1,221,000                 | 973,977                   | 7,000                  | 43,267         | 2,245,244        |

The property was valued at £1.35 million on a market value basis in accordance with the RICS valuation standards by Graham & Sibbald, Chartered Surveyors on 1 December 2011. The directors are of the opinion that this valuation is not materially different from an existing use valuation of the property.

Certain fixed assets within plant and machinery were 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.

**10. Stocks**

|                  | 2011<br>£      | 2010<br>£      |
|------------------|----------------|----------------|
| Raw materials    | 466,599        | 537,580        |
| Work in progress | 17,467         | 14,584         |
| Finished goods   | 254,131        | 259,299        |
|                  | <b>738,197</b> | <b>811,463</b> |

**11. Debtors**

|                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,512,858        | 1,592,906        |
| Amounts owed by group undertakings | 2,316,632        | 2,045,868        |
| Other debtors                      | 82,006           | 107,636          |
|                                    | <b>3,911,496</b> | <b>3,746,410</b> |

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2011**

**11. Debtors (continued)**

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

|                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | <u>2,316,632</u> | <u>2,045,868</u> |

**12. Creditors: amounts falling due within one year**

|                                     | 2011<br>£        | 2010<br>£        |
|-------------------------------------|------------------|------------------|
| Trade creditors                     | 1,470,800        | 1,391,588        |
| Corporation tax                     | 94,195           | 191,439          |
| Other taxation and social security  | 330,552          | 367,762          |
| Carbon Trust Loan due within 1 year | 13,467           | 25,408           |
| Accruals and deferred income        | 146,171          | 212,344          |
|                                     | <u>2,055,185</u> | <u>2,188,541</u> |

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

|                 | 2011<br>£ | 2010<br>£     |
|-----------------|-----------|---------------|
| Other creditors | <u>—</u>  | <u>13,467</u> |

Included within other creditors is an unsecured loan which is repayable as follows:

|                                          | 2011<br>£     | 2010<br>£     |
|------------------------------------------|---------------|---------------|
| Amounts payable within one year          | 13,467        | 25,408        |
| Amounts payable within one and two years | <u>—</u>      | <u>13,467</u> |
|                                          | <u>13,467</u> | <u>38,875</u> |

**14. Deferred taxation**

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

|                                                          | 2011<br>£      | 2010<br>£      |
|----------------------------------------------------------|----------------|----------------|
| Provision brought forward                                | 156,749        | 170,715        |
| Profit and loss account movement arising during the year | (37,236)       | (13,966)       |
| Provision carried forward                                | <u>119,513</u> | <u>156,749</u> |

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

|                                              | 2011<br>£      | 2010<br>£      |
|----------------------------------------------|----------------|----------------|
| Accelerated capital allowances               | 113,785        | 146,642        |
| Short term timing differences                | 17,339         | 16,204         |
| Effect of tax rate change on opening balance | (11,611)       | (6,097)        |
|                                              | <u>119,513</u> | <u>156,749</u> |

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**15. Commitments under operating leases**

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below.

|                                | <b>Assets other than Land and buildings</b> |                      |
|--------------------------------|---------------------------------------------|----------------------|
|                                | <b>2011</b>                                 | <b>2010</b>          |
|                                | <b>£</b>                                    | <b>£</b>             |
| Operating leases which expire: |                                             |                      |
| Within 1 year                  | <b>11,380</b>                               | 14,664               |
| Within 2 to 5 years            | <b>60,213</b>                               | 60,203               |
|                                | <b><u>71,593</u></b>                        | <b><u>74,867</u></b> |

**16. Contingencies and commitments**

The company has entered into a guarantee to the group's bank in respect of the borrowings of its parent company. At 31 December 2011, the total contingent liability in respect of group borrowings was £Nil (2010 - £170,000).

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

The company has outstanding forward foreign exchange contracts amounting to £Nil (2010 - £136,347) at 31 December 2011.

**17. Related party transactions**

The company has elected to take advantage of the exemption granted in Financial Standard 8 "Related Party Disclosures" available to 100% owned subsidiaries and has not disclosed transactions with other group companies.

**18. Share capital**

**Authorised share capital:**

|                                     | <b>2011</b>          | <b>2010</b>          |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>£</b>             | <b>£</b>             |
| 68,807 Ordinary A shares of £1 each | <b>68,807</b>        | 68,807               |
| 11,093 Ordinary B shares of £1 each | <b>11,093</b>        | 11,093               |
|                                     | <b><u>79,900</u></b> | <b><u>79,900</u></b> |

**Allotted, called up and fully paid:**

|                                     | <b>2011</b>          |                      | <b>2010</b>          |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | <b>No</b>            | <b>£</b>             | <b>No</b>            | <b>£</b>             |
| 49,407 Ordinary A shares of £1 each | <b>49,407</b>        | <b>49,407</b>        | 49,407               | 49,407               |
| 11,093 Ordinary B shares of £1 each | <b>11,093</b>        | <b>11,093</b>        | 11,093               | 11,093               |
|                                     | <b><u>60,500</u></b> | <b><u>60,500</u></b> | <b><u>60,500</u></b> | <b><u>60,500</u></b> |

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.

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**19. Revaluation reserve**

|                                                        | <b>2011</b>           | <b>2010</b>    |
|--------------------------------------------------------|-----------------------|----------------|
|                                                        | <b>£</b>              | <b>£</b>       |
| Balance brought forward                                | <b>561,030</b>        | 573,479        |
| Revaluation of fixed assets                            | <b>158,000</b>        | —              |
| Transfer to the Profit and Loss Account on realisation | <b>(12,449)</b>       | (12,449)       |
| Balance carried forward                                | <b><u>706,581</u></b> | <u>561,030</u> |

**20. Other reserves**

|                            | <b>2011</b>          | <b>2010</b>   |
|----------------------------|----------------------|---------------|
|                            | <b>£</b>             | <b>£</b>      |
| Capital redemption reserve | <b><u>30,000</u></b> | <u>30,000</u> |

**21. Profit and loss account**

|                                   | <b>2011</b>             | <b>2010</b>      |
|-----------------------------------|-------------------------|------------------|
|                                   | <b>£</b>                | <b>£</b>         |
| Balance brought forward           | <b>3,941,410</b>        | 3,985,244        |
| Profit for the financial year     | <b>344,790</b>          | 443,717          |
| Equity dividends                  | <b>(200,000)</b>        | (500,000)        |
| Transfer from revaluation reserve | <b>12,449</b>           | 12,449           |
| Balance carried forward           | <b><u>4,098,649</u></b> | <u>3,941,410</u> |

**22. Reconciliation of movements in shareholders' funds**

|                                                 | <b>2011</b>             | <b>2010</b>      |
|-------------------------------------------------|-------------------------|------------------|
|                                                 | <b>£</b>                | <b>£</b>         |
| Profit for the financial year                   | <b>344,790</b>          | 443,717          |
| Other net recognised gains and losses           | <b>158,000</b>          | —                |
| Equity dividends                                | <b>(200,000)</b>        | (500,000)        |
| Transfer from revaluation reserve               | <b>12,449</b>           | 12,449           |
| Transfer to profit and loss account             | <b>(12,449)</b>         | (12,449)         |
| Net addition/(reduction) to shareholders' funds | <b>302,790</b>          | (56,283)         |
| Opening shareholders' funds                     | <b><u>4,592,940</u></b> | <u>4,649,223</u> |
| Closing shareholders' funds                     | <b><u>4,895,730</u></b> | <u>4,592,940</u> |

**23. Notes to the cash flow statement**

**Reconciliation of operating profit to net cash inflow from operating activities**

|                                           | <b>2011</b>           | <b>2010</b>    |
|-------------------------------------------|-----------------------|----------------|
|                                           | <b>£</b>              | <b>£</b>       |
| Operating profit                          | <b>468,092</b>        | 623,527        |
| Depreciation                              | <b>293,529</b>        | 284,588        |
| Loss on disposal of fixed assets          | <b>16,366</b>         | —              |
| Decrease/(increase) in stocks             | <b>73,266</b>         | (166,448)      |
| Increase in debtors                       | <b>(165,086)</b>      | (339,891)      |
| (Decrease)/increase in creditors          | <b>(24,171)</b>       | 175,505        |
| Net cash inflow from operating activities | <b><u>661,996</u></b> | <u>577,281</u> |

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**23. Notes to the cash flow statement (*continued*)**  
**Returns on investments and servicing of finance**

|                                                                       | <b>2011</b>        | <b>2010</b>  |
|-----------------------------------------------------------------------|--------------------|--------------|
|                                                                       | <b>£</b>           | <b>£</b>     |
| Interest received                                                     | <b>156</b>         | 278          |
| Interest paid                                                         | <b>(224)</b>       | (381)        |
| Interest element of finance leases and similar                        | <b>—</b>           | (59)         |
| Net cash outflow from returns on investments and servicing of finance | <b><u>(68)</u></b> | <u>(162)</u> |

**Taxation**

|          | <b>2011</b>             | <b>2010</b>      |
|----------|-------------------------|------------------|
|          | <b>£</b>                | <b>£</b>         |
| Taxation | <b><u>(257,714)</u></b> | <u>(105,667)</u> |

**Capital expenditure**

|                                           | <b>2011</b>             | <b>2010</b>      |
|-------------------------------------------|-------------------------|------------------|
|                                           | <b>£</b>                | <b>£</b>         |
| Payments to acquire tangible fixed assets | <b>(117,014)</b>        | (179,525)        |
| Net cash outflow from capital expenditure | <b><u>(117,014)</u></b> | <u>(179,525)</u> |

**Financing**

|                                                      | <b>2011</b>            | <b>2010</b>   |
|------------------------------------------------------|------------------------|---------------|
|                                                      | <b>£</b>               | <b>£</b>      |
| Net (outflow)/inflow from other short-term creditors | <b>(11,941)</b>        | 25,408        |
| Capital element of finance leases and similar        | <b>—</b>               | (8,289)       |
| Net (outflow)/inflow from other long-term creditors  | <b>(13,467)</b>        | 1,250         |
| Net cash (outflow)/inflow from financing             | <b><u>(25,408)</u></b> | <u>18,369</u> |

**Reconciliation of net cash flow to movement in net funds**

|                                                               | <b>£</b>             | <b>2011</b>           | <b>2010</b>      |
|---------------------------------------------------------------|----------------------|-----------------------|------------------|
|                                                               |                      | <b>£</b>              | <b>£</b>         |
| Increase/(decrease) in cash in the period                     | <b>61,792</b>        |                       | (189,704)        |
| Net outflow from/(inflow) from other short-term creditors     | <b>11,941</b>        |                       | (25,408)         |
| Cash outflow in respect of finance leases and similar         | <b>—</b>             |                       | 8,289            |
| Net cash outflow from/(inflow) from other long-term creditors | <b><u>13,467</u></b> |                       | <u>(1,250)</u>   |
|                                                               |                      | <b><u>87,200</u></b>  | <u>(208,073)</u> |
| Change in net funds                                           |                      | <b>87,200</b>         | (208,073)        |
| Net funds at 1 January 2011                                   |                      | <b>109,705</b>        | 317,778          |
| Net funds at 31 December 2011                                 |                      | <b><u>196,905</u></b> | <u>109,705</u>   |

**CARRON BATHROOMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. Notes to the cash flow statement (*continued*)**  
**Analysis of changes in net funds**

|                          | At<br>1 Jan 2011<br>£ | Cash flows<br>£ | At<br>31 Dec 2011<br>£ |
|--------------------------|-----------------------|-----------------|------------------------|
| Net cash:                |                       |                 |                        |
| Cash in hand and at bank | 148,580               | 61,792          | 210,372                |
| Debt:                    |                       |                 |                        |
| Debt due within 1 year   | (25,408)              | 11,941          | (13,467)               |
| Debt due after 1 year    | (13,467)              | 13,467          | —                      |
|                          | (38,875)              | 25,408          | (13,467)               |
| Net funds                | 109,705               | 87,200          | 196,905                |

**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 financial statements are available from Companies House in Edinburgh. For the whole of the year the company's ultimate controlling parties were its directors Mr D McMorris and Mr J Hewitt.