

CARADON BATHROOMS LIMITED
(Registered Number 546129)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997



CARADON BATHROOMS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their annual report together with the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity is the manufacture and sale of bathroom and ancillary fittings for the UK and overseas markets. During the year there was continued improvement in the general economic environment except for exports where the strength of the pound has reduced our competitiveness.

A large restructuring programme continued during the year as part of the ongoing re-organisation of the business.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £3,627,000 (year ended 31 December 1996, loss: £1,632,000), which has been transferred to reserves. The directors do not recommend payment of a final dividend (1996 - nil).

DIRECTORS AND DIRECTORS' INTERESTS

The composition of the Board of Directors during the year, and to the date of this report, was as follows:

J Carrier	
T W Llewellyn	(Resigned 1 October 1997)
R J H Mills	(Resigned 17 April 1998)
A J Moss	(Appointed 1 October 1997)
P J Roberts	
B Strawson	
R I Thornevell	
S C Wheeler	(Appointed 1 October 1997)
C R Young	

CARADON BATHROOMS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

None of the directors held any beneficial interests in shares in the Company during the year.

The interests of the directors in the issued Ordinary shares of Caradon plc, the ultimate parent undertaking, are as follows:

Director	31 December 1997		1 January 1997 or date of appointment	
	Ordinary Shares	Options Over Ordinary Shares	Ordinary Shares	Options Over Ordinary Shares
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
J Carrier	-	44,148	-	31,900
A J Moss	-	31,131	-	31,131
P J Roberts	-	37,518	-	26,763
B Strawson	-	64,761	-	58,004
R I Thornewell	-	92,295	-	70,564
S C Wheeler	108,736	252,949	108,627	252,949
C R Young	-	118,260	-	72,075

The corresponding interests of Mr R J H Mills, who was also a director of Caradon plc, at 31 December 1997, are disclosed in the financial statements of that company, being the ultimate parent undertaking, and are therefore not shown above.

None of the directors had any interests in the Preference shares or B shares of Caradon plc, except for Mr S C Wheeler, who had an interest in 135,845 Preference Shares and 27,188 B shares of Caradon plc at the date of his appointment and at 31 December 1997.

Holdings in Ordinary and Preference shares of Caradon plc held at 16 May 1997 were subject to that company's capital reorganisation and 9 for 10 share consolidation effected on that date.

CARADON BATHROOMS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The following options over Ordinary shares of Caradon plc were granted to the directors during the year:

<u>Director</u>	<u>Options granted</u> (Number of shares)
J Carrier	12,248
P J Roberts	10,755
B Strawson	10,040
R I Thornewell	29,940
C R Young	46,185

- ✓ The options reported above have been granted under the rules of Caradon plc's Savings Related and Executive Share Option Schemes. None of the directors exercised any share options during the year. Options over 3,283 shares held by Mr B Strawson and over 8,209 shares held by Mr R I Thornewell lapsed during the year.

No director was or is interested in any transaction, arrangement or agreement with the Company which was material during or at the end of the year.

The Company has continued to provide liability insurance for its directors and officers as permitted by the Companies Act 1985.

RESEARCH AND DEVELOPMENT

The Company commits sufficient resources to research and development so as to ensure that it maintains its competitive position in the market.

EMPLOYEE PARTICIPATION

The Company is committed to employee participation and encourages the development of co-operation with employees.

Disabled persons - The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The Company's policy on the employment of disabled persons has been applied as sympathetically as possible.

DONATIONS

Donations to charitable organisations during the year amounted to £3,354 (1996: £2,795). No payments were made during the year for political purposes (1996: nil).

CARADON BATHROOMS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

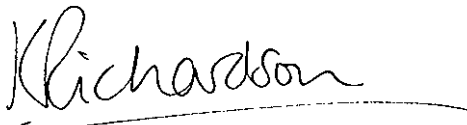
POLICY ON PAYMENT OF CREDITORS

The Company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The average number of days that the Company takes to settle supplier invoices is 63.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, the Company has passed an elective resolution to dispense with the obligation to appoint auditors annually.

By order of the Board

A handwritten signature in dark ink, appearing to read 'K Richardson', with a long horizontal flourish extending to the right.

K D Richardson
Secretary

22 April 1998

CARADON BATHROOMS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 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 as at the end of the financial year and of the profit or loss of the Company for the financial year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. 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.

CARADON BATHROOMS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF CARADON BATHROOMS LIMITED

We have audited the financial statements on pages 7 to 21 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 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

22 April 1998

CARADON BATHROOMS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER	2	78,093	72,937
Change in stocks of finished goods and work in progress		(336)	(1,990)
Raw materials and consumables		(24,107)	(21,632)
Other external charges - Continuing		(21,118)	(20,446)
- Restructuring within continuing operations		-	(4,383)
Staff costs	4,5	(23,801)	(22,649)
Depreciation	8	(3,880)	(3,864)
OPERATING PROFIT/(LOSS)	3	4,851	(2,027)
Net interest	6	-	46
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,851	(1,981)
Taxation on (charge)/credit, profit/(loss) on ordinary activities	7	(1,224)	349
RETAINED PROFIT/(LOSS) FOR THE YEAR	15	<u>3,627</u>	<u>(1,632)</u>

Turnover and operating profit derive from continuing activities, there having been no discontinued operations or acquisitions in the year.

The notes on pages 11 to 21 form part of these financial statements.

CARADON BATHROOMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

		<u>1997</u>		<u>1996</u>	
	<u>Notes</u>	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8	39,866		34,442	
Investments	9	4,511		4,511	
			44,377		38,953
CURRENT ASSETS					
Stocks	10	10,206		11,021	
Debtors	11	34,854		37,675	
Cash at bank and in hand		5,176		4,058	
			50,236		52,754
CREDITORS (amounts falling due within one year)	12	(21,082)		(17,653)	
NET CURRENT ASSETS			29,154		35,101
TOTAL ASSETS LESS CURRENT LIABILITIES			73,531		74,054
PROVISIONS FOR LIABILITIES AND CHARGES	13		(37)		(4,618)
NET ASSETS			<u>73,494</u>		<u>69,436</u>
CAPITAL AND RESERVES					
Called up share capital	14		37,465		37,465
Share premium account	15		31,363		31,363
Revaluation reserve	15		3,149		2,799
Profit and loss account	15		1,517		(2,191)
EQUITY SHAREHOLDERS' FUNDS			<u>73,494</u>		<u>69,436</u>

These financial statements were approved by the Board of Directors on 22 April, 1998.



J.R. Carrier
DIRECTOR

The notes on pages 11 to 21 form part of these financial statements.

CARADON BATHROOMS LIMITED

STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES

	<u>1997</u> £'000	<u>1996</u> £'000
Profit/(loss) for the financial year	3,627	(1,632)
Unrealised surplus on revaluation of properties	431	-
Total recognised gains and losses relating to the year	<u>4,058</u>	<u>(1,632)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1997</u> £'000	<u>1996</u> £'000
Reported profit/(loss) on ordinary activities before taxation	4,851	(1,981)
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	81	81
Historical cost profit/(loss) on ordinary activities before taxation	<u>4,932</u>	<u>(1,900)</u>
Historical cost retained profit/(loss) for the year	<u>3,708</u>	<u>(1,551)</u>

The notes on pages 11 to 21 form part of these financial statements.

CARADON BATHROOMS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Profit/(loss) on ordinary activities after taxation	3,627	(1,632)
Other net recognised gains and losses relating to the year	431	-
	<hr/>	<hr/>
Net movement in shareholders' funds	4,058	(1,632)
Shareholders' funds at 1 January 1997	69,436	71,068
	<hr/>	<hr/>
✓ Shareholders' funds at 31 December 1997	<u>73,494</u>	<u>69,436</u>

The notes on pages 11 to 21 form part of these financial statements.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets.

(b) Turnover

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax.

(c) Depreciation and amortisation

Tangible fixed assets are stated at cost (with the exception of certain land and buildings which are stated at valuation). These assets are written off using the straight line method.

No depreciation is provided on land. The revalued amounts of buildings are being written off over their estimated useful lives on a straight line basis. Long leasehold properties are amortised over 40 years. Short leasehold properties are amortised over the life of the lease.

For all other assets, depreciation is provided to write off the book amount of those assets over their expected useful lives at the following rates per annum:

Freehold buildings	- 3% - 10%
Plant, machinery and tools	- 3% - 20%
Fixtures and fittings	- 10% - 33%
Motor vehicles	- 20% - 33%

(d) Research and development

All expenditure on research and development is written off in the year in which it is incurred.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress and finished goods comprises materials, labour and attributable overheads.

(f) Leases and hire purchase contracts

Rentals under operating leases are charged to the profit and loss account, as incurred, over the term of the lease.

(g) Foreign currencies

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

(h) Deferred taxation

Deferred taxation is provided on the liability method at current rates of taxation in respect of short term timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision is made for other timing differences where a liability is expected to arise in the foreseeable future.

(i) Pensions

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Caradon Group's Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the Schemes.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

Set out below is an analysis of the destination of turnover by geographical area:

	Year ended 31 December 1997	Year ended 31 December 1996
	£'000	£'000
United Kingdom	63,751	58,396
Continental Europe	1,363	1,592
Rest of the World	12,979	12,949
	<u>78,093</u>	<u>72,937</u>

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after the following:

	Year ended 31 December 1997	Year ended 31 December 1996
	£'000	£'000
Amounts charged by the Company's auditors:		
- Audit fees and expenses	46	46
- Tax and consultancy fees	7	-
Rentals payable under operating leases:		
- Plant and machinery	54	59
Hire of Plant	136	233
Research & development expenditure	156	146
(Loss)/ profit on sale of fixed assets	(30)	57
Exceptional items		
- Provision for the costs of closure of the Cardiff site within continuing operations	-	4,500
- Restructuring Costs	-	(117)
- Permanent diminution in value of property	596	-

The source of all profits of the Company is within the United Kingdom.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. EMPLOYEES

The average number of persons employed by the Company (including directors) during the year was:

	Year ended 31 December 1997 Number	Year ended 31 December 1996 Number
Manufacturing	713	780
Selling and distribution	348	314
Administration	96	99
	<u>1,157</u>	<u>1,193</u>

The aggregate payroll cost of these persons was:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Wages and salaries	21,927	20,880
Social security costs	1,825	1,723
Other pension costs (Note 16)	49	46
	<u>23,801</u>	<u>22,649</u>

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

(a) The aggregate emoluments of the directors was:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Aggregate emoluments	<u>665</u>	<u>663</u>

(b) Highest Paid Director

Emoluments of the highest paid director were:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Aggregate emoluments	<u>165</u>	<u>140</u>

At the year end the highest paid directors' accrued pension was £43,704 and the accrued lump sum in respect of that pension was £nil.

6. NET INTEREST

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Interest receivable	=	<u>46</u>

7. TAXATION

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Taxation charge/ (credit) on the profit/ (loss) for the year:		
United Kingdom Corporation Tax at 31.5% (1996:33%)	1,319	1,024
(Over)/ under provision in prior years	(742)	11
Deferred tax	647	(1384)
	<u>1,224</u>	<u>(349)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TANGIBLE FIXED ASSETS

	Land and buildings		Motor vehicles	Fixtures and fittings	Plant, machinery and tools	Total
	Freehold at valuation	Long leasehold	£'000	£'000	£'000	£'000
Cost/Valuation:						
At 1 January 1997	14,325	25	3,164	2,606	44,869	64,989
Additions	7	-	792	100	3,410	4,309
Revaluation	(1,626)	-	-	-	-	(1,626)
Permanent diminution in value	(596)	-	-	-	-	(596)
Disposals	-	-	(523)	(113)	(5,541)	(6,177)
Group Transfers	7,425	-	(23)	-	(30)	7,372
At 31 December 1997	19,535	25	3,410	2,593	42,708	68,271
Depreciation:						
At 1 January 1997	1,003	8	1,113	1,416	27,007	30,547
Charge for the year	319	-	486	207	2,868	3,880
Revaluation	(2,057)	-	-	-	-	(2,057)
Disposals	-	-	(415)	(72)	(4,204)	(4,691)
Group Transfers	735	-	(9)	-	-	726
At 31 December 1997	-	8	1,175	1,551	25,671	28,405
Net book value:						
At 31 December 1997	19,535	17	2,235	1,042	17,037	39,866
At 31 December 1996	13,222	17	2,051	1,190	17,862	34,442

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land and buildings were valued as at 31 December 1997 by Healey & Baker, International Surveyors & Valuers, on the basis of open market value for existing use.

If freehold land and buildings had not been revalued they would have been included on a historic cost basis at the following amounts:

	<u>31 December 1997</u>	<u>31 December 1996</u>
	<u>£'000</u>	<u>£'000</u>
Net book amount	<u>15,570</u>	<u>8,138</u>
Depreciation in year	<u>233</u>	<u>233</u>

Freehold land and buildings includes freehold land not subject to depreciation amounting to £8,235,000 (31 December 1996 - £45,000).

9. FIXED ASSET INVESTMENTS

Details of the participating interests of the Company are as follows:

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Cost</u>	<u>Cost</u>
		<u>31 December 1997</u>	<u>31 December 1996</u>
		<u>£'000</u>	<u>£'000</u>
Caradon Twyfords Limited	England	2,528	2,528
Caradon Curran Limited	England	1,000	1,000
Alstone Limited	England	983	983
		<u>4,511</u>	<u>4,511</u>

The issued share capital of each subsidiary undertaking is in ordinary shares and is held 100% by Caradon Bathrooms Limited. Caradon Twyfords Limited, Caradon Curran Limited and Alstone Limited have not traded during the year.

In the opinion of the directors the aggregate value of the Company's investment in and advances to its subsidiary undertakings is not less than the aggregate amount at which they are stated in the balance sheet.

The Company is a wholly owned subsidiary of another company incorporated in Great Britain thus under Section 228 of the Companies Act 1985 is exempt from producing group financial statements.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. STOCKS

	<u>31 December 1997</u>	<u>31 December 1996</u>
	£'000	£'000
Raw materials and consumables	2,086	2,565
Work in progress	695	941
Finished goods and goods for resale	7,425	7,515
	<u>10,206</u>	<u>11,021</u>

11. DEBTORS

	<u>31 December 1997</u>	<u>31 December 1996</u>
	£'000	£'000
Trade debtors	13,057	14,399
Amounts owed by immediate parent undertaking and fellow subsidiary undertakings	19,196	20,737
Other debtors	1,281	120
Prepayments and accrued income	1,320	1,772
Deferred tax	-	647
	<u>34,854</u>	<u>37,675</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1997</u>	<u>31 December 1996</u>
	£'000	£'000
Trade creditors	7,995	6,668
Amounts owed to immediate parent undertaking and fellow subsidiary undertakings	8,283	6,299
Other creditors	749	577
Corporation tax	1,368	1,020
Social security and other taxes	644	345
Accruals and deferred income	2,043	2,744
	<u>21,082</u>	<u>17,653</u>

The amounts owed to group undertakings are interest free, with no specific terms of repayment.

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (Asset) £'000	Reorganisation provision £'000
At 1 January 1997	(647)	4,618
Charge for the year	647	-
Released in year	-	(250)
Utilised in year	-	(4,331)
	<u> </u>	<u> </u>
At 31 December 1997	<u> </u> -	<u> </u> 37

Deferred tax asset brought forward within debtors in 1996 balance sheet.

The amounts provided and not provided in respect of deferred taxation are set out below:

	<u>1997</u>		<u>1996</u>
	<u>Amount</u> <u>provided</u> £'000	<u>Amount not</u> <u>provided</u> £'000	<u>Amount</u> <u>provided</u> £'000
			<u>Amount not</u> <u>provided</u> £'000
Accelerated capital allowances	63	3,767	478
			4,388
Other timing differences	(63)	-	(1,125)
	<u> </u>	<u> </u>	<u> </u>
	<u> </u> -	<u> </u> 3,767	<u> </u> (647)
			<u> </u> 3,929

No provision has been made for deferred taxation in respect of future disposals of revalued properties as the directors do not envisage a significant crystallisation of any such liability in the foreseeable future.

14. SHARE CAPITAL

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
<u>Equity shares</u>		
Authorised allotted and fully paid :		
37,465,115 Ordinary Shares of £1 each	<u>37,465</u>	<u>37,465</u>

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance at 1 January 1997	31,363	2,799	(2,191)
Retained profit for the year	-	-	3,627
Realisation of revaluation reserve	-	(81)	81
Revaluation in the year	-	431	-
	<u>31,363</u>	<u>3,149</u>	<u>1,517</u>

16. PENSIONS

The Caradon Group operates a number of defined benefit pension schemes based on final pensionable pay. The assets of these schemes are held in separate trustee administered funds. The Company participates in one or more of these schemes. Contributions are based on pension costs across the Group as a whole. A summary of the results of the last actuarial valuations of the group schemes is contained in the financial statements of Caradon plc.

17. COMMITMENTS

- (a) Capital commitments at 31 December 1997 for which no provision has been made in these financial statements were as follows:

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Contracted but not provided for	<u>133</u>	<u>195</u>

- (b) The annual commitment under non-cancellable operating leases was as follows:

	As at <u>31 December 1997</u> <u>Plant and</u> <u>machinery</u> £'000	As at <u>31 December 1996</u> <u>Plant and</u> <u>machinery</u> £'000
Leases expiring: within two to five years	<u>54</u>	<u>59</u>

CARADON BATHROOMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CONTINGENT LIABILITIES

Under an unlimited multilateral guarantee, the Company, in common with certain other Caradon Group Companies, has jointly and severally guaranteed the obligations falling due under one of the Caradon Group's net overdraft facilities.

At 31 December 1997 the Company had other contingent liabilities arising in the ordinary course of business amounting to £2,000 (1996: £43,839).

19. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the accounts of the parent company which include the accounts of Caradon Bathrooms Limited.

Accordingly, as permitted by FRS1, no cash flow statement is presented with these accounts.

20. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Caradon plc a company registered in England. The Caradon Group is the largest and smallest group of which the Company is a member and for which group accounts are prepared. Copies of these group financial statements can be obtained from The Secretary, Caradon plc, Caradon House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.

21. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemptions provided by FRS8 not to disclose transactions with other Caradon Group companies that qualify as related parties.