

Twyford Bathrooms

**Directors' report and financial
statements**

Registered number 00546129

For the year ended 31 December 2011



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Directors' Report

The Directors present their Directors' report and financial statements for the year ended 31 December 2011

Principal activities

The Company's principal activity is the manufacture and sale of bathrooms and ancillary fittings for the UK and overseas markets

Business review

Review of the development and performance of the business

It has continued to be a difficult market in the United Kingdom in 2011 as the government made some sharp cutbacks in its capital expenditure which has had an impact in the construction industry as a whole. Social housing, education and health are amongst the worst affected areas. Public sector cutbacks have added to household caution over the last year while limited access to mortgage finances remains a serious constraint on housing market activity as potential purchasers are frozen out of the market. The flow of new education projects fell last year in the wake of the Government's decision to axe the Building Schools for the Future programme.

As a result of market conditions and government cutbacks Twyford Bathrooms' sales declined during 2011. In addition, a company decision was made to remove loss making product ranges which also had an adverse impact on the sales lines but helped improve the profitability of the business.

Despite weaker trading conditions Twyford Bathrooms sales through Export regions were relatively flat year on year and sales were particularly strong through Abu Dhabi in the Middle East via the project sector.

Selling price increase was implemented as a result of increasing commodity prices.

The factory closure was completed in August 2011 and the site clearance finalised by the end of December 2011 with no disruption during the process. All new models have been redeveloped mainly within the Sanitec network resulting in a lower sourced cost for ceramics products.

The Gross Margin significantly improved during 2011 as a result of the above.

Distribution costs are lower year on year due to lower volumes despatched. Administration costs have decreased mainly due to curtailment gain of £1m relating to the pension scheme following the factory closure resulting in a reduction in active members in the pension scheme. Additional costs of the pension scheme have been agreed with the trustee to recover the deficit in the defined benefit scheme.

Other operating costs have increased due to the reorganisation of the R&D function within the Sanitec Group.

In the year Twyford Bathrooms profitability has improved significantly from a loss making position to a profitable one. Sales mix and prices have improved through further selling price increases and mix change towards commercial contracts which generate higher margins and showering growth. The benefit of the factory closure has also started to materialise by sourcing products from lower cost countries mainly from within the Sanitec network.

Outlook

Weak economic growth, limited access to finance capital and heightened economic uncertainty in the wake of the Eurozone crisis are all expected to temper the recovery in private sector workload over the coming year. Nevertheless a gradual strengthening in the number of private housing sites being started is forecast over the course of 2012 as housebuilders look to capitalise on improved consumer confidence and housing market activity during the second half of 2012 and during 2013. A similar modest recovery in new commercial and industrial project starts is anticipated as developers bring forward projects in the pre-construction pipeline.

Twyford has a very good position in key markets and has plans to grow sales in 2012 through the Commercial sector.

Following the factory closure and the decision to withdraw from loss making products profits are expected to increase further in 2012.

Directors' Report *(continued)*

Key performance indicators

Management use a range of performance measures to monitor and manage the business. The KPIs measure past performance and also provide information to allow us to manage the business into the future.

Revenue, operating profit and working capital are key measures used to indicate the level of profitability and the efficiency with which operating profits have turned into cash. KPIs for 2011 are shown in the table below, along with prior year comparatives.

	2011 £000	2010 £000
Revenue	58,840	63,606
Operating profit (loss) (before exceptional items)	6,797	(328)
Operating profit / (loss) (%)	11.6%	(0.5)%
Net Current Assets (excluding intra group cash balances)	11,201	10,964
Net Current Assets including intra group balances	24,694	26,575

Proposed dividend

No dividends were paid or proposed during the year (2010: nil).

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.

Policy and practice 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.

Directors

The directors who held office during the year were as follows:

A D Brown *(resigned 19 August 2011)*
 M G Conlon *(resigned 1 April 2011)*
 D Maher *(resigned 14 February 2011)*
 J Blackburn *(appointed 1 April 2011)*
 L Strand *(appointed 1 April 2011)*
 G Nilsson *(appointed 14 February 2011)*

Employees

The Company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the Company's policy is to ensure that employees are kept informed on matters, which affect them, through direct communication and established procedures for joint consultation.

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.

Political and charitable contributions

The Company made no political contributions during the year (2010: nil). Donations to UK charities amounted to £10,582 (2010: £11,422).

Directors' Report *(continued)*


Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Gun Nilsson
Director

Lawton Road
Alsager
Stoke on Trent
ST7 2DF

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 and loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Twyford Bathrooms

We have audited the financial statements of Twyford Bathrooms for the year ended 31 December 2011 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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.

Independent auditors' report to the members of Twyford Bathrooms
(continued)

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



Ian Goalen (Senior Statutory Auditor)
for and on behalf of KPMG Audit LLP, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS

28th March 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	Before Exceptional items 2011 £000	Exceptional items 2011 £000	Total 2011 £000	Before Exceptional items 2010 £000	Exceptional items 2010 £000	Total 2010 £000
Turnover – continuing operations	2	58,840	-	58,840	63,606	-	63,606
Cost of sales		(39,229)	(227)	(39,456)	(48,783)	(7,365)	(56,148)
Gross profit		19,611	(227)	19,384	14,823	(7,365)	7,458
Distribution costs		(10,078)	-	(10,078)	(10,507)	-	(10,507)
Administrative expenses		(1,374)	(894)	(2,268)	(3,646)	(24)	(3,670)
Other operating costs		(1,362)	-	(1,362)	(998)	-	(998)
Operating Profit/(loss)	3	6,797	(1,121)	5,676	(328)	(7,389)	(7,717)
Exceptional impairments				(365)			(358)
Other interest receivable and similar income	6			161			113
Interest payable and similar charges	7			(60)			(45)
Other finance income	8			97			153
Profit /(loss) on ordinary activities before taxation				5,509			(7,854)
Tax on profit /(loss) on ordinary activities	9			(361)			(97)
Profit/(Loss) for the financial year				5,148			(7,951)


Accompanying notes form part of these financial statements

Balance Sheet
at 31 December 2011

	<i>Note</i>	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Tangible assets	10		44		-
Investments	11		3,174		3,527
			<u>3,218</u>		<u>3,527</u>
Current assets					
Stocks	12	7,893		9,760	
Debtors	13	30,408		31,444	
Cash at bank and in hand		8,544		11,625	
		<u>46,845</u>		<u>52,829</u>	
Creditors amounts falling due within one year	14	<u>(22,151)</u>		<u>(26,254)</u>	
Net current assets			<u>24,694</u>		<u>26,575</u>
Total assets less current liabilities			<u>27,912</u>		<u>30,102</u>
Provisions for liabilities	15		(1,842)		(8,171)
Net assets excluding pension liabilities			<u>26,070</u>		<u>21,931</u>
Pension liabilities	19		(1,103)		(664)
Net assets			<u>24,967</u>		<u>21,267</u>
Capital and reserves					
Called up share capital	16		13,509		13,509
Share premium account	17		31,159		31,159
Profit and loss account	17		(19,701)		(23,401)
Shareholders' funds			<u>24,967</u>		<u>21,267</u>

Accompanying notes form part of these financial statements

These financial statements were approved by the board of directors on 22.3.2012 and were signed on its behalf by


Gun Nilsson
Director

Registered number 00546129

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2011

	2011 £000	2010 £000
Profit / (loss) for the financial year	5,148	(7,951)
Actuarial (loss) recognised in the pension scheme	(1,931)	(312)
Deferred tax arising on losses in the pension scheme	483	88
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	3,700	(8,175)
	<hr/>	<hr/>

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2011

	2011 £000	2010 £000
Profit /(loss) for the financial year	5,148	(7,951)
Other recognised losses relating to the year (net)	(1,448)	(224)
	<hr/>	<hr/>
Net increase/(reduction) in shareholders' funds	3,700	(8,175)
Opening shareholders' funds	21,267	29,442
	<hr/>	<hr/>
Closing shareholders' funds	24,967	21,267
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group

As 100% of the Company's voting rights are controlled within the group headed by Sofia I S à r l, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the group qualifying as related parties). The consolidated financial statements of Sofia I S à r l, within which this Company is included, can be obtained from the address given in note 20

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following rates

Freehold buildings	-	3% - 10% per annum
Plant and machinery	-	3% - 20% per annum
Motor vehicles	-	20% - 33% per annum
Fixtures and fittings	-	10% - 33% per annum

No depreciation is provided on freehold land

Impairment of fixed assets and goodwill

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets

Notes (continued)

1 Accounting policies (continued)

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investments

Fixed asset investments are stated at cost.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumable and goods for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and is recognised when ownership transfers to the customer through sale.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is derived solely from the Company's principal activity.

Analysis of turnover by geographical market is as follows

	2011 £000	2010 £000
United Kingdom	46,761	50,717
Continental Europe	2,851	3,636
Rest of World	9,228	9,253
	<u>58,840</u>	<u>63,606</u>

3 Notes to the profit and loss account

	2011 £000	2010 £000
<i>Profit/(Loss) on ordinary activities before taxation is stated</i>		
<i>After charging:</i>		
Amounts written off owned tangible assets and intangible assets	365	358
Hire of plant and machinery – rentals payable under operating leases	350	347
Research and development expenditure	47	61
Warranty provision	146	(185)
Curtailment gain	(1,063)	-
	<u>(155)</u>	<u>581</u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	39	37
Amounts receivable by the auditors and their associates in respect of other services relating to taxation	25	37
	<u>64</u>	<u>74</u>

Notes (continued)

3 Notes to the profit and loss account (continued)

During the year the Company has also incurred certain exceptional write-offs /costs and releases mainly following the closure of manufacturing in the UK beyond August 2011

These write-offs /costs and releases principally consisted of

	2011 £000	2010 £000
Redundancy costs	231	3,984
Stock write off	-	403
Disruption costs	(417)	1,535
Restructuring	341	-
Factory Closure (Development)	574	-
Factory clearance costs	(145)	1,416
Loyalty bonus	553	-
HR project	-	24
Travel costs	(16)	27
	<u>1,121</u>	<u>7,389</u>

During the course of the closure of the manufacturing in the UK certain costs were not fully utilised against their original provision and therefore provisions have been released in the year

Exceptional items disclosed below operating profit are in respect of

	2011 £000	2010 £000
Asset Impairment	12	358
Impairment of investment	353	-
	<u>365</u>	<u>358</u>

4 Remuneration of directors

	2011 £000	2010 £000
Directors' emoluments	493	313
Contributions to defined benefit pension schemes	0	54
	<u>493</u>	<u>367</u>

The aggregate emoluments of the highest paid director were £341,266 (2010 £171,264) He was a member of a defined benefit pension scheme under which his accrued pension at the yearend was £nil (2010 £26,898)

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under Defined benefit schemes	1	2

2 UK Directors resigned during the year, and 1 UK director appointed who is a member of the defined benefit scheme

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2011	2010
Manufacturing	97	147
Distribution	127	54
Administration	19	127
Others	23	-
	<u>266</u>	<u>328</u>

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	7,147	8,209
Social security costs	733	731
Other pension costs (<i>see note 19</i>)	702	638
	<u>8,582</u>	<u>9,578</u>

6 Other interest receivable and similar income

	2011 £000	2010 £000
Receivable from group undertakings	<u>161</u>	<u>113</u>

7 Interest payable and similar charges

	2011 £000	2010 £000
On bank loans and overdrafts	42	24
On all other loans	18	21
	<u>60</u>	<u>45</u>

8 Other finance income

	2011 £000	2010 £000
Expected return on pension scheme assets	1,064	1,054
Interest on pension scheme liabilities	(967)	(901)
	<u>97</u>	<u>153</u>

Notes (continued)

9 Taxation

Analysis of charge in year

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Adjustment in respect of FRS 17 pensions	343	91
Impact in change in rate of FRS17 pensions	18	6
Tax on profit / loss on ordinary activities	361	97

Factors affecting the tax charge for the current year

The current tax charge for the period is lower (2010 lower) than the standard rate of corporation tax in the UK 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit / (Loss) on ordinary activities before tax	5,509	(7,854)
Current tax at 26.5% (2010 28%)	1,460	(2,199)
<i>Effects of</i>		
Expenses not deductible for tax purposes	173	515
Depreciation for period in excess of capital allowances	3	79
Other short term timing differences	(128)	1,312
Creation/(Utilisation) of tax losses	(1,118)	384
Adjustment in respect of FRS 17 pensions	(363)	(91)
Group Relief not paid for	(27)	-
Total current tax charge	-	-

Factors that may affect future current and total tax charges

The 2010 Emergency Budget and the 2011 Budget announced that the UK corporation tax rate will reduce from 28 per cent to 23 per cent over a period of four years from 2011. The reductions to 26 per cent effective from 1 April 2011 and 25 per cent effective from 1 April 2012 were substantively enacted on 29 March 2011 and 5 July 2011 respectively. As the rate change to 25 per cent was substantively enacted prior to the year end, the closing deferred tax asset has been calculated at this rate and the resulting charge has been recognised in the profit and loss account. Had the other tax rate changes been substantively enacted on or before the balance sheet date it would not have had a material effect on the closing deferred tax asset.

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2011	66	12,398	55,174	648	68,286
Additions	-	56	-	-	56
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	66	12,454	55,174	648	68,342
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2011	66	12,398	55,174	648	68,286
Charge in year	-	-	-	-	-
Impairment write down	-	12	-	-	12
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	66	12,410	55,174	648	68,298
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2011	-	44	-	-	44
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

As part of the Sanitec Group's financial restructuring process in January 2009 an enterprise value review was performed by the then parent company Sanitec Oy, now Sanitec Europe Corporation. Due to the negative enterprise value of Twyford Bathrooms, this resulted in an impairment of assets at Twyford Bathrooms to nil.

Due to the profitable position in the year and the future forecasts, the assets acquired in the year have been capitalised.

Notes (continued)

11 Fixed asset investments

	Shares in group Undertakings £000
<i>Cost and net book value</i>	
At beginning of year	3,527
Impairment of investment	(353)
At end of year	<u>3,174</u>

The companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal Activity	Class and Percentage of shares Held
<i>Subsidiary undertakings</i>			
Twyfords Limited	England and Wales	Non trading	Ordinary 100%
Twyford Limited	England and Wales	Non trading	Ordinary 100%

12 Stocks

	2011 £000	2010 £000
Raw materials and consumables	305	2,269
Work in progress	11	258
Finished goods and goods for resale	7,577	7,233
	<u>7,893</u>	<u>9,760</u>

13 Debtors

	2011 £000	2010 £000
Trade debtors	9,491	7,112
Amounts owed by group undertakings	19,039	22,337
Prepayments and accrued income	879	996
Deferred tax assets	999	999
	<u>30,408</u>	<u>31,444</u>

	Deferred taxation £000
Assets at 1 January 2011	999
Charge to the profit and loss account for the year	-
Assets at 31 December 2011	<u>999</u>

Notes (continued)

13 Debtors (continued)

The elements of deferred taxation are as follows

	2011 £000	2010 £000
Difference between accumulated depreciation and amortisation and capital allowances	999	999
Undiscounted asset	999	999
Deferred tax asset	999	999

A deferred tax asset of £6,019,000 is unprovided for, on the basis of the business only returning to profitability in the current year. It is the view of management that on this basis, it is too early to increase the deferred tax asset.

14 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	8,883	8,681
Amounts owed to group undertakings	5,546	6,726
Taxation and social security	1,970	1,221
Accruals and deferred income	5,752	9,626
	22,151	26,254

The amounts owed to group undertakings are interest free and repayable on demand.

15 Provisions for liabilities

	Other £000	Property sale costs £000	Redundancy £000	Warranty provision £000	Total £000
As at 1 January 2011	2,956	409	3,984	822	8,171
Utilised in year	(1,621)	-	(3,984)	(146)	(5,751)
Charge to profit and loss for the year	(578)	-	-	-	(578)
At 31 December 2011	757	409	-	676	1,842

The warranty provision relates to a quality issue of steel bathtubs from our Chinese supplier, resulting in the temporary re-source from an alternative European supplier.

An analysis of all exceptional costs is disclosed in note 3.

16 Called up share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
Equity 37,465,116 ordinary shares of 36 05784p each	13,509	13,509

Notes (continued)

17 Share premium and reserves

	Share premium Account £000	Profit and loss account £000
At beginning of year	31,159	(23,401)
Profit /(loss) for the year	-	5,148
Actuarial loss recognised in the pension scheme	-	(1,931)
Deferred tax arising on losses in the pension scheme	-	483
At end of year	31,159	(19,701)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	2011 Other £000	2010 Land and Buildings £000	2010 Other £000
Operating leases which expire				
Within one year	1,100	350	2,340	347
In the second to fifth years inclusive	4,400	468	-	292
	5,500	818	2,340	639

The operating lease for land and buildings relates to the property occupied by Twyford Bathrooms in Alsager. The significant reduction on prior year is due to the expiry of the lease in December 2011.

19 Pension scheme

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2011 £000	2010 £000
Present value of funded defined benefit obligations	(19,257)	(18,177)
Fair value of plan assets	17,786	17,267
Present value of unfunded defined benefit obligations	(1,471)	(910)
Deficit	(1,471)	(910)
Related deferred tax asset	368	246
Net liability	(1,103)	(664)

Notes (continued)

19 Pension scheme (continued)

Movements in present value of defined benefit obligation

	2011 £000	2010 £000
At the start of the year	18,177	15,441
Current service cost	702	638
Interest cost	967	901
Plan participants contributions	227	291
Actuarial losses	1,030	1,090
Benefits paid	(783)	(184)
Plan curtailment	(1,063)	-
	<hr/>	<hr/>
At the end of the year	19,257	18,177
	<hr/>	<hr/>

Movements in fair value of plan assets

	2011 £000	2010 £000
At the start of the year	17,267	14,518
Expected return on plan assets	1,064	1,054
Actuarial gains	(901)	778
Contributions by employer	912	810
Contributions by members	227	291
Benefits paid	(783)	(184)
	<hr/>	<hr/>
At the end of the year	17,786	17,267
	<hr/>	<hr/>

Expense recognised in the profit and loss account

	2011 £000	2010 £000
Current service cost	(702)	(638)
Interest on defined benefit pension plan obligation	(967)	(901)
Expected return on defined benefit pension plan assets	1,064	1,054
Plan curtailment	1,063	-
	<hr/>	<hr/>
Total	458	(485)
	<hr/>	<hr/>

The expense is recognised in the following line items in the profit and loss account

	2011 £000	2010 £000
Administration expenses	361	(638)
Other interest receivable and similar income	97	153
	<hr/>	<hr/>
	458	(485)
	<hr/>	<hr/>

Notes (continued)

19 Pension scheme (continued)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £1,448,000 loss (2010 £224,000 loss)

Cumulative actuarial losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £4,083,000, (2010, £2,152,000)

The fair value of the plan assets and the return on those assets were as follows

	2011 Fair value £000	2010 Fair value £000
Equities	11,632	11,397
Corporate bonds	6,083	5,525
Other	71	345
	<u>17,786</u>	<u>17,267</u>
Actual return on plan assets	<u>163</u>	<u>1,832</u>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2011 %	2010 %
Discount rate	4.70%	5.30%
Expected rate of return on plan assets	3.05%	3.40%
Expected return on plan assets at beginning of the year	2.40%	2.40%
Future salary increases	4.05%	4.40%
Other material assumptions (e.g., future pension increases, inflation)	<u>3.05%</u>	<u>3.40%</u>

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

- Current pensioner aged 65 19.5 years (male), 23.1 years (female)
- Future retiree upon reaching 65 21.3 years (male), 24.9 years (female)

Notes (continued)

19 Pension scheme (continued)

History of plans

The history of the plans for the current and prior years is as follows

Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	(19,257)	(18,177)	(15,441)	(12,376)	(13,555)
Fair value of scheme assets	17,786	17,267	14,518	10,909	13,307
Deficit/surplus	(1,471)	(910)	(923)	(1,467)	(248)

Experience adjustments

	2011	2010	2009	2008	2007
Difference between actual and expected return on scheme assets (£000)	(901)	778	1,734	(4,296)	(139)
Percentage of scheme assets (%)	(5%)	5%	12%	(39%)	(1%)
Experience gains and (losses) on scheme liabilities amount (£000)	(704)	-	(94)	-	309
Percentage of scheme liabilities (%)	(4%)	0%	(1%)	0%	2%

The Company expects to contribute approximately £0.5m to its defined benefit plans in the next financial year

20 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The Company is a subsidiary undertaking of Sanitec Europe Corporation, which belongs to the Sanitec Group, incorporated in Finland. The ultimate parent company of the Group is Sofia I S à r l, a company registered in Luxembourg.

The largest group in which the results of the Company are consolidated is that headed by Sofia I S à r l, incorporated in Luxembourg. The consolidated accounts are available to the public and may be obtained from the registered office.

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