

Twyford Bathrooms

**Directors' report and financial
statements**

Registered number 00546129

31 December 2008



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2008.

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

Sales declined significantly during 2008 as UK market conditions progressively worsen as we entered into a recession in the UK: Twyford Bathrooms sales decline year on year was 9.7%, whereas the industry indicators showed a decline of 11% which indicates we are more than protecting market share.

UK market conditions continue to be very difficult with little sign of an upturn in 2009 and 2010.

A key initiative during 2008 has been to grow the Showering business and this has been well received in the marketplace and is projected to grow further in 2009.

Operating Profits have been further impacted by the £/Euro exchange rate devaluation by 20% during 2008 which significantly impacted the profitability of the business. This has amounted to a £3.2m loss to profit, as the majority of products are sourced from Europe, from within the Sanitec supply chain network, following the downsizing of manufacture in the UK.

Furthermore, manufacture costs, both locally and throughout the Sanitec Group, continue to rise particularly the cost of raw materials and energy.

The transport and logistics organisation was restructured part way through the year and brought back in-house resulting in an additional 46 heads onto the payroll and generated a saving of £120k. A total full year saving of £240k is expected.

A redundancy programme in both blue and white collar workers was announced and enacted in September 2008 resulting in a further reduction in headcount.

Outlook

Sales in all major markets suffered a downturn at the end of 2008 and this trend is expected to continue in 2009. The downturn is an industry phenomenon and all key market sales are estimates to decrease for like product ranges. Due to deteriorating sales, factory utilisation is declining across the Group resulting in declining profitability. Twyford has a very good position in key markets and it is expected that this will continue in 2009.

Sanitec Group has since December 2008 been engaged in discussions with its syndicate lenders on the possibilities of restructuring the financial situation of the Group and to restructure the capital structure of the Group to a sustainable level that will enable the Group to meet the challenges imposed by the current market conditions. The restructuring of the Group was successfully achieved and agreed with all parties during July 2009. As a result, the debt burden of the Group has been significantly reduced, the financial covenants have been reset, and EQT have injected further cash to the Group to support the comprehensive operational improvement of the business. In the opinion of the directors, the restructuring provides the basis for the Sanitec Group to continue as a going concern

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 2008 are shown in the table below, along with prior year comparatives.

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.

Directors' report *(continued)*

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 2008 are shown in the table below, along with prior year comparatives.

	2008 £000	2007 £000	Change in year %
Revenue	66,531	73,684	(9.7%)
Operating profit (before exceptional items)	847	7,608	(88.9%)
Operating profit (%)	1.3%	10.3%	-
Working capital (excluding intra group cash balances)	5,104	2,185	45.4%

Proposed dividend

Dividends paid during the year comprise an interim dividend in respect of the year ended 31 December 2008 of £6.074m.

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. The number of days that the company takes to settle supplier invoices is 60 days (*2007: 60 days*).

Directors

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

A D Brown
M G Conlon

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. Donations to UK charities amounted to £4,500.

Disclosure of information to auditors

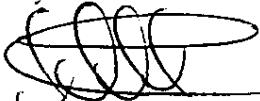
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make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

Directors' report *(continued)*

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

A handwritten signature in black ink, appearing to be 'M G Conlon', written over a horizontal line.

M G Conlon
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).

The financial statements are required by law to 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 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 proper accounting records that 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 1985. 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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of movements in shareholders funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 4.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report as to whether in our opinion the information given in the Directors Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors Report is consistent with the financial statements.

KPMG LLP

28/10/08

KPMG LLP
Chartered Accountants
Registered Auditor

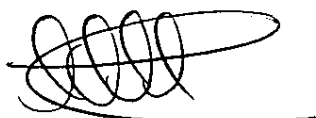
Profit and Loss Account
for the year ended 31 December 2008

	Note	Before exceptional items 2008 £000	Exceptional items 2008 £000	Total 2008 £000	Before exceptional items 2007 £000	Exceptional items 2007 £000	Total 2007 £000
Turnover – continuing operations	2	66,531		66,531	73,684	-	73,684
Cost of sales		(50,120)	(2,030)	(52,150)	(50,163)	(1,945)	(52,108)
Gross profit/(loss)		16,411	(2,030)	14,381	23,521	(1,945)	21,576
Distribution costs		(11,638)		(11,638)	(11,722)	-	(11,722)
Administrative expenses		(2,805)	(1,731)	(4,536)	(3,308)	-	(3,308)
Other operating costs		(1,121)		(1,121)	(883)	-	(883)
Operating profit/(loss) – continuing operations		847	(3,761)	(2,914)	7,608	(1,945)	5,663
Exceptional Item	11			(7,690)			-
Profit on sale of fixed assets				(7)			68
Other interest receivable and similar income	6			1794			2,230
Other finance income	7			139			180
(Loss)/Profit on ordinary activities before taxation				(8,678)			8,141
Tax on profit on ordinary activities	8			2,750			(1,060)
(Loss)/Profit for the financial year	18			(5,928)			7,081

Balance Sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Intangible assets	10		740		790
Tangible assets	11		-		8,342
Investments	12		3,527		3,527
			<hr/>		<hr/>
			4,267		12,659
Current assets					
Stocks	13	12,526		13,513	
Debtors	14	33,260		41,490	
Cash at bank and in hand		8,189		6,784	
		<hr/>		<hr/>	
		53,975		61,787	
Creditors: amounts falling due within one year	15	(17,913)		(21,929)	
		<hr/>		<hr/>	
Net current assets			36,062		39,858
			<hr/>		<hr/>
Total assets less current liabilities			40,329		52,517
Provisions for liabilities	16		(1,300)		(1,355)
			<hr/>		<hr/>
Net assets excluding pension liabilities			39,029		51,162
Pension liabilities	20		(1,056)		(179)
			<hr/>		<hr/>
Net assets including pension liabilities			37,973		50,983
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		13,509		13,509
Share premium account	18		31,159		31,159
Profit and loss account	18		(6,695)		6,315
			<hr/>		<hr/>
Shareholders' funds			37,973		50,983
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 28/10/09 and were signed on its behalf by:



M G Conlon
Director

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2008

	2008 £000	2007 £000
(Loss)/Profit for the financial year	(5,928)	7,081
Actuarial (loss)/gain recognised in the pension scheme	(1,400)	35
Deferred tax arising on (losses)/gains in the pension scheme	392	(10)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(6,936)	7,106
	<hr/>	<hr/>

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2008

	2008 £000	2007 £000
(Loss)/Profit for the financial year	(5,928)	7,081
Dividends on shares classified in shareholders' funds	(6,074)	(8,294)
Other recognised gains and losses relating to the year (net)	(1,008)	25
	<hr/>	<hr/>
Net (reduction in) shareholders' funds	(13,010)	(1,188)
Opening shareholders' funds	50,983	52,171
	<hr/>	<hr/>
Closing shareholders' funds	37,973	50,983
	<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 s228 of the Companies Act 1985 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 Sanitec Oy, 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 Sanitec Oy within which this company's included, can be obtained from the address given in note 22.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

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.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful economic life.

Notes (continued)

1 Accounting policies (continued)

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 Group'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.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

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:

	2008 £000	2007 £000
United Kingdom	51,221	58,626
Continental Europe	4,648	5,910
Rest of World	10,662	9,148
	<u>66,531</u>	<u>73,684</u>

3 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>After charging:</i>		
Depreciation and other amounts written off owned tangible and intangible fixed assets	1,639	1,325
Hire of plant and machinery – rentals payable under operating leases	311	343
Research and development expenditure	42	54
Exceptional Item (see note 11)	(7,690)	-
	<u>(5,698)</u>	<u>1,723</u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	37	51
Amounts receivable by the auditors and their associates in respect of other services relating to taxation	42	36

During the year the company has also incurred certain exceptional write-offs and costs following the acquisition by, and subsequent integration with, its new ultimate parent company, Sanitec Oy.

Notes (continued)

3 Notes to the profit and loss account (continued)

These write-offs and costs principally consisted of:

	2008 £000	2007 £000
Redundancy costs	1,556	(258)
Stock write off	1,338	216
Other consultancy	7	131
Legal consultancy	79	-
Image Enhancement	37	-
Decommissioning costs	744	1,579
Sales fees additional provision	-	277
	<u>3,761</u>	<u>1,945</u>

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	337	337
Contributions to defined benefit pension schemes	52	52
	<u>389</u>	<u>389</u>

The aggregate emoluments of the highest paid director was £186,920 (2007: £184,832). He is a member of a defined benefit pension scheme under which his accrued pension at the year end was £41,657 (2007: £38,182).

	Number of directors 2008	2007
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>2</u>	<u>2</u>

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 2008	2007
Manufacturing	171	207
Distribution	52	6
Administration	127	151
	<u>350</u>	<u>364</u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	9,534	10,180
Social security costs	774	801
Other pension costs (see note 20)	713	867
	<u>11,021</u>	<u>11,848</u>

6 Other interest receivable and similar income

	2008 £000	2007 £000
Receivable from group undertakings	1,794	2,230
	<u>1,794</u>	<u>2,230</u>

7 Other finance income

	2008 £000	2007 £000
Expected return on pension scheme assets	911	821
Interest on pension scheme liabilities	(772)	(641)
	<u>139</u>	<u>180</u>

8 Taxation

Analysis of charge in period

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax (see note 14)</i>		
Origination/(reversal) of timing differences	(2,353)	1,566
Adjustment in respect of FRS 17 pensions	51	101
Adjustments in respect of prior years	(448)	(764)
Effect of increased/decreased tax rate	-	157
Tax on profit on ordinary activities	<u>(2,750)</u>	<u>1,060</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2007: lower) than the standard rate of corporation tax in the UK (28.5%, 2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
(Loss)/Profit on ordinary activities before tax	(8,678)	8,141
	<hr/>	<hr/>
Current tax at 28.5 % (2007: 30%)	(2,473)	2,442
<i>Effects of:</i>		
Brought forward unrecognised losses utilised	-	(22)
Expenses not deductible for tax purposes	130	642
Depreciation for period in excess/(deficit) of capital allowances	2,426	(1,466)
Group relief	-	(2,454)
Other short term timing differences	(111)	(251)
Creation/(Utilisation) of tax losses	38	(119)
Write off of deferred tax on IBAs	-	1,177
Difference in tax rates	40	-
Effect of reduction in tax rate on deferred tax balances	-	157
Adjustment in respect of FRS 17 pensions	(51)	(101)
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

9 Dividends

	2008 £000	2007 £000
Interim dividends paid in respect of the current year	6,074	8,294
	<hr/>	<hr/>

10 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	989
At beginning and end of year	<hr/>
<i>Amortisation</i>	
At beginning of year	199
Charge for year	50
	<hr/>
At end of year	249
	<hr/>
<i>Net book value</i>	740
At 31 December 2008	<hr/>
	<hr/>
At 31 December 2007	790
	<hr/>

Notes (continued)

10 Intangible fixed assets (continued)

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is being amortised over 20 years, being the Directors estimate of the useful economic life of the acquisitions.

11 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 2008	66	12,010	53,617	664	66,357
Additions		111	840		951
Disposals		(41)	(34)	(16)	(91)
At 31 December 2008	66	12,080	54,423	648	67,217
Depreciation					
At 1 January 2008	2	11,183	46,275	555	58,015
Charge for year		247	1,247	95	1,589
On disposals		(41)	(34)	(2)	(77)
Impairment write down	64	691	6,935	-	7,690
At 31 December 2008	66	12,080	54,423	648	67,217
Net book value					
At 31 December 2008	-	-	-	-	-
At 31 December 2007	64	827	7,342	109	8,342

As part of the Sanitec Group's financial restructuring process an enterprise value review has been performed by the parent company, Sanitec Oy. Due to the negative enterprise value of Twyford Bathrooms, this has resulted in a subsequent impairment of assets at Twyford Bathrooms to nil. The carrying value of the assets will be reviewed on an ongoing basis going forward.

During the year the directors have reduced the carrying value of tangible fixed assets through an impairment write down of £7,690,000 to a more appropriate carrying value.

Notes (continued)

12 Fixed asset investments

	Shares in group Undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	3,527

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>			
Twyford's Limited	England and Wales	Dormant	Ordinary 100%
Twyford Limited	England and Wales	Dormant	Ordinary 100%
Twyford Plumbing Solutions Limited	England and Wales	Dormant	Ordinary 100%
Sphinx Bathrooms Limited	England and Wales	Dormant	Ordinary 100%

13 Stocks

	2008 £000	2007 £000
Raw materials and consumables	1,777	1,871
Work in progress	412	927
Finished goods and goods for resale	10,337	10,715
	<u>12,526</u>	<u>13,513</u>

14 Debtors

	2008 £000	2007 £000
Trade debtors	4,572	6,949
Amounts owed by group undertakings	22,769	30,889
Prepayments and accrued income	1,015	1,549
Deferred tax assets	4,904	2,103
	<u>33,260</u>	<u>41,490</u>

	Deferred taxation £000
Assets at 1 January 2008	2,103
Charge to the profit and loss account for the year (see note 8)	2,801
Assets at 31 December 2008 (see above)	<u>4,904</u>

Notes (continued)

14 Debtors (continued)

The elements of deferred taxation are as follows:

	2008 £000	2007 £000
Difference between accumulated depreciation and amortisation and capital allowances	4,848	1,974
Other timing differences	18	129
Unutilised trading losses	38	-
	<hr/>	<hr/>
Undiscounted asset	4,904	2,103
	<hr/>	<hr/>
Deferred tax asset	4,904	2,103
	<hr/>	<hr/>

15 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	7,233	10,309
Amounts owed to group undertakings	6,900	7,170
Corporation tax	2,163	2,163
Taxation and social security	911	1,467
Accruals and deferred income	706	820
	<hr/>	<hr/>
	17,913	21,929
	<hr/>	<hr/>

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

16 Provisions for liabilities

	Property sale costs £000	Redundancy £000	Total £000
As at 1 January 2008	(966)	(389)	(1,355)
Utilised in year	307	508	815
Additional provision in year	-	(760)	(760)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	(659)	(641)	(1,300)
	<hr/>	<hr/>	<hr/>

17 Called up share capital

	2008 £000	2007 £000
Authorised		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity: 37,465,116 ordinary shares of 36.05784p each	13,509	13,509
	<hr/>	<hr/>

Notes (continued)

18 Share premium and reserves

	Share premium Account £000	Profit and loss account £000
At beginning of year	31,159	6,315
Loss for the year	-	(5,928)
Dividends on shares classified in shareholders' funds	-	(6,074)
Actuarial loss recognised in the pension scheme	-	(1,400)
Deferred tax arising on losses in the pension scheme	-	392
	<hr/>	<hr/>
At end of year	31,159	(6,695)
	<hr/>	<hr/>

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land and buildings £000	2008 Other £000	2007 Land and buildings £000	2007 Other £000
Operating leases which expire:				
Within one year	2,340	311	2,340	351
In the second to fifth years inclusive	4,680	223	7,020	427
	<hr/>	<hr/>	<hr/>	<hr/>
	7,020	534	9,360	778
	<hr/>	<hr/>	<hr/>	<hr/>

20 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.

	2008 £000	2007 £000
Present value of funded defined benefit obligations	(12,376)	(13,555)
Fair value of plan assets	10,909	13,307
	<hr/>	<hr/>
Present value of unfunded defined benefit obligations	(1,467)	(248)
	<hr/>	<hr/>
Deficit	(1,467)	(248)
Related deferred tax asset	411	69
	<hr/>	<hr/>
Net liability	1,056	(179)
	<hr/>	<hr/>

Notes (continued)

20 Pension schemes (continued)

Movements in present value of defined benefit obligation

	2008 £000	2007 £000
At 1 January 2008	13,555	12,040
Current service cost	713	867
Interest cost	772	641
Plan participants contributions	344	361
Actuarial (gains)/losses	(2,896)	(174)
Benefits paid	(112)	(180)
	<hr/>	<hr/>
At 31 December 2008	12,376	13,555
	<hr/>	<hr/>

Movements in fair value of plan assets

	2008 £000	2007 £000
At 1 January 2008	13,307	11,421
Expected return on plan assets	911	821
Actuarial (losses)	(4,296)	(139)
Contributions by employer	755	1,023
Contributions by members	344	361
Benefits paid	(112)	(180)
Exchange adjustments	-	-
	<hr/>	<hr/>
At 31 December 2008	10,909	13,307
	<hr/>	<hr/>

Expense recognised in the profit and loss account

	2008 £000	2007 £000
Current service cost	(713)	(867)
Interest on defined benefit pension plan obligation	(772)	(641)
Expected return on defined benefit pension plan assets	911	821
	<hr/>	<hr/>
Total	(574)	687
	<hr/>	<hr/>

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

	2008 £000	2007 £000
Distribution expenses	(713)	(867)
Other interest receivable and similar income	139	180
	<hr/>	<hr/>
	(574)	687
	<hr/>	<hr/>

Notes (continued)

20 Pension schemes (continued)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is (£1,008,000) (2007: £25,000).

Cumulative actuarial gains/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 (£1,352,000).

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

	2008 Fair value £000	2007 Fair value £000
Equities	9,192	11,229
Corporate bonds	1,574	1,860
Other	143	218
	<u>10,909</u>	<u>13,307</u>
Actual return on plan assets	<u>(3,385)</u>	<u>682</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:

	2008 %	2007 %
Discount rate	5.6%	5.5%
Expected rate of return on plan assets	2.8%	3.5%
Expected return on plan assets at beginning of the period	2.0%	2.4%
Future salary increases	3.8%	4.5%
Other material assumptions (e.g., future pension increases, inflation)	2.8%	3.5%

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: 20.3 years (male), 23.1 years (female).
- Future retiree upon reaching 65: 21.3 years (male), 24.0 years (female).

Notes (continued)

20 Pension schemes (continued)

History of plans

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

Balance sheet

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of scheme liabilities	12,376	13,555	12,040	10,560	6,891
Fair value of scheme assets	10,909	13,307	11,421	9,224	6,233
Deficit/surplus	(1,467)	(248)	(619)	(1,336)	(658)

Experience adjustments

	2008	2007	2006	2005	2004
Difference between actual and expected return on scheme assets (£000)	(4,296)	(139)	80	982	(37)
Percentage of scheme assets (%)	(39%)	(1%)	1%	11%	(1%)
Experience gains and (losses) on scheme liabilities amount (£000)	-	309	-	(392)	(138)
Percentage of scheme liabilities (%)	0%	2%	0%	(4%)	(2%)

The Company expects to contribute approximately £0.6m to its defined benefit plans in the next financial year

21 Post balance sheet events

The parent company of Twyford Bathrooms, Sanitec Oy, together with its ultimate owner EQT, entered into discussions with the Group's syndicate lenders in December 2008 on the possibilities to strengthen the financial position of the Group and to restructure the Group's capital structure to a sustainable level that will also provide the means to the Group to face the challenges imposed by the current market situation. The challenging market situation resulted in December 2008 in Sanitec Oy deferring its interest payments under the syndicated loan facilities and failing to meet some of its financial covenants, causing events of defaults to occur under such loan facilities. The discussions were successfully completed and the restructuring of the Group was successfully achieved and agreed with all parties during July 2009. As a result, the debt burden of the Group has been significantly reduced, the financial covenants have been reset, and EQT have injected further cash to the Group to support the comprehensive operational improvement of the business.

Notes *(continued)*

22 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 Oy which is the ultimate parent company incorporated in Finland.

The largest group in which the results of the company are consolidated is that headed by Sanitec Oy incorporated in Finland. The consolidated accounts of Sanitec Oy are available to the public and may be obtained from the registered office:

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