Utopia Furniture Limited

Directors' report and financial statements

Registered number 2826071

For the year ended 30 June 2009

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2009

Principal activity

The principal activity of the company in the year under review was that of the design and manufacture of bathroom furniture The business continues to have an excellent reputation for design, quality and service and supplies over 650 bathroom outlets in the UK

Business review

The performance of the company has been impacted by the deterioration in the economic climate and in particular, the downturn in the construction and home improvement markets In response to this downturn, the company initiated a number of efficiency improvements in the year, the benefits of which are now being realised The cost of these initiatives was £268,620

An operating loss of £347,284 was incurred during the year *(2008 profit of £1,668,041)*

Dividends

A dividend of £Nil was paid during the financial year *(2008 £2,100,000 (£105 per share))*

No further dividend was proposed at either the current or prior year end

Key performance indicators (KPIs)

The company relies on different KPIs at an operational level which are specific to the business Such KPIs are used by the management team to monitor performance ona regular basis The main KPIs are as follows

- sales activity,
- EBITDA (earnings before interest, taxation, depreciation and amortisation),
- working capital

Principal risks and uncertainties

The principal risk for the company relates to the difficult general economic conditions and the performance of the construction and home improvement markets

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk and liquidity risk

Price risk

The company is exposed to commodity price risk, particularly for raw materials and distribution costs as a result of its operations The company monitors these costs and takes corrective action when relevant

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers and ongoing review of credit levels for existing customers These credit limits are amended where appropriate

Liquidity risk

The company actively maintains a mixture of long term and short term debt finance that is designed to ensure the company has sufficient available funds for operations The ongoing financing arrangements are regularly reviewed by the directors (see note 25)

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

S Cox	(resigned 24 October 2008)
S Russell	(appointed 1 February 2008, resigned 26 June 2009, re-appointed 7 July 2009)
H Bray	(appointed 1 July 2008)
E Green	
J Brooke	
M Bailey	(appointed 8 May 2009)
T Williams	(resigned 19 December 2008)

Political and charitable contributions

During the year, the company made charitable donations amounting to £15,395 *(2008 £4,849)* No political contributions were made in either the current or prior year

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests Communication with all employees continues through the in-house newspaper, newsletters and briefing groups

The company continues to encourage employees to bring forward any ideas to further enhance the capabilities of the company's performance

The company adopts a policy of training its employees to ensure production and group efficiency

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and the appropriate training is arranged It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' liability

The company maintains an appropriate level of directors' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act The directors also benefited from qualifying third party indemnity provisions in place during the financial year and at the date of ths report

Directors' report *(continued)*

Auditors

PricewaterhouseCoopers resigned as auditors during the period and the directors appointed KPMG LLP to fill the casual vacancy

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

On behalf of the board

S Russell
Secretary

Utopia House
Springvale Avenue
Springvale Business Park
Bilston
Wolverhampton
WV14 0QL

15 March 2010

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 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 judgments 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 the 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

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditors' report to the members of Utopia Furniture Limited

We have audited the financial statements of Utopia Furniture Limited for the year ended 30 June 2009 set out on pages 7 to 19 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 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

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 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/UKNP

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 30 June 2009 and of its loss 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 Utopia Furniture Limited
(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

SJ Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 March 2010

Profit and loss account
for the year ended 30 June 2009

	Note	2009 £	2008 £
Turnover	2	**14,039,854**	19,009,608
Cost of sales		**(8,148,192)**	(10,035,683)
Gross profit		**5,891,662**	8,973,925
Administrative expenses (including restructuring costs £268,620 *(2008 £Nil))*		**(6,238,946)**	(7,305,884)
Operating (loss)/profit	3	**(347,284)**	1,668,041
Interest receivable and similar income	6	**21,510**	2,838
Interest payable and similar charges	7	**(65,268)**	(69,405)
(Loss)/profit on ordinary activities before taxation		**(391,042)**	1,601,474
Tax (charge)/credit on (loss)/profit on ordinary activities	8	**(58,933)**	53,727
(Loss)/profit for the financial year	18,22	**(449,975)**	1,655,201

All activities relate to continuing operations for both financial years

There are no material differences between the (loss)/profit as shown in the profit and loss account above and their historical cost equivalents

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented A statement of movements in reserves is given in note 22 to the financial statements

Balance sheet
at 30 June 2009

	Note	2009 £	£	2008 £	£
Fixed assets					
Tangible assets	*10*		**1,671,873**		2,211,886
Current assets					
Stocks	*11*	**1,255,716**		1,227,156	
Debtors Amounts falling due within one year	*12*	**5,790,981**		3,975,632	
Cash at bank and in hand		**458,635**		2,878,861	
		7,505,332		8,081,649	
Creditors Amounts falling due within one year	*13*	**(2,893,697)**		(3,115,502)	
Net current assets			**4,611,635**		4,966,147
Total assets less current liabilities			**6,283,508**		7,178,033
Creditors Amounts falling due after more than one year	*14*		**(560,961)**		(1,005,511)
Net assets			**5,722,547**		6,172,522
Capital and reserves					
Called up share capital	*17*		**20,000**		20,000
Capital redemption reserve	*18*		**3,000**		3,000
Profit and loss reserve	*18*		**5,699,547**		6,149,522
Total shareholders' funds	*22*		**5,722,547**		6,172,522

These financial statements were approved by the board of directors on 15 March 2010 and were signed on its behalf by

S Russell
Director

Company number 2826071

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 company's financial statements

Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The policies applied are consistent with the previous year

Cash flow

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1 (Revised 1996), as it is included in the consolidated results of the ultimate parent company (see note 24)

Turnover

Turnover represents recharges for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the gross book value less estimated residual value of tangible fixed assets over their estimated useful lives or, if held under a finance lease, over the lease term, whichever is the shorter

Plant and machinery	-	20% on a straight line basis
Motor vehicles	-	25% on a straight line basis
IT equipment	-	50% on a straight line basis
Fixtures and fittings	-	33% on a straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of variable overheads which are directly attributable in the production of stock

Taxation

UK corporation tax is provided at amounts expected to be paid using tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Deferred tax assets are regarded as recoverable and only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing diffeences can be deducted

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 and is measured on a non-discounted basis

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange gains and losses on translation are included in the profit and loss account and are taken into account in arriving at the operating loss

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised as tangible fixed assets and depreciation over the shorter of their useful economic life or the period of the lease Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease

Pensions

The company participates in a defined contribution pension scheme Contributions payable for the year are charged to the profit and loss account

2 Turnover

Turnover and operating profit for both the current and prior year are attributable to the company's principal activity, which is carried out in the United Kingdom Turnover by geographical destination is as follows

	2009	2008
	£	£
UK	**14,035,880**	18,973,982
Europe	**3,974**	30,771
Outside Europe	**-**	4,855
	14,039,854	19,009,608

Notes *(continued)*

3 Operating loss

	2009 £	2008 £
Operating (loss)/profit is stated		
after charging/(crediting)		
Depreciation		
Owned assets	**306,556**	364,396
Assets on hire purchase contracts	**381,904**	292,933
Profit on disposal of fixed assets	**(126)**	(9,341)
Operating lease rentals		
Plant and machinery	**133,936**	164,751
Other	**212,079**	939,089
Services provided by the company's auditors (2008 previous auditors)		
Fees payable		
For the audit	**18,000**	46,713
For other services		
Tax compliance	**6,450**	21,450
Consultancy	**-**	5,250

4 Directors' emoluments

	2009 £	2008 £
Aggregate emoluments	**502,462**	468,347
Fees for services as directors*	**252,863**	-
Pension contributions to money purchase pension scheme	**18,525**	24,141
	773,850	492,488

*Directors' fees are amounts earned by directors on a consultancy basis prior to formal appointment bythe Board

Four directors are accruing retirement benefits under a money purchase pension scheme as at 30 June 2009 *(2008 three)*

	2009 £	2008 £
Highest paid director		
Aggregate emoluments	**119,165**	217,737
Pension contributions to money purchase pension scheme	**8,000**	-
	127,165	217,737

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2009	2008
Administration	**58**	66
Production	**113**	133
	171	199

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**4,079,004**	3,994,002
Social security costs	**423,829**	376,101
Other pension costs	**125,015**	167,715
	4,627,848	4,537,818

6 Interest receivable and similar income

	2009	2008
	£	£
Bank interest	**21,510**	1,622
Other interest	**-**	1,216
	21,510	2,838

7 Interest payable and similar charges

	2009	2008
	£	£
Bank interest	**-**	31,372
Hire purchase interest	**65,268**	38,033
	65,268	69,405

Notes *(continued)*

8 Taxation

Analysis of charge in year

	2009		2008	
	£	£	£	£
UK corporation tax				
Current tax on income for the year	-		-	
Adjustments in respect of prior years	-		(24,078)	
Total current tax		-		(24,078)
Deferred tax (see note 12)				
Origination/reversal of timing differences	-		(29,649)	
Prior period adjustment	58,933		-	
Total deferred tax		58,933		(29,649)
Tax on (loss)/profit on ordinary activities		58,933		(53,727)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2008 lower)* than the standard rate of corporation tax in the UK (28% *(2008 29 5%)*) The differences are explained below

	2009	2008
	£	£
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(391,042)**	1,601,474
Current tax at 28% *(2008 29 5%)*	**(109,492)**	472,479
Effects of		
Expenses not deductible for tax purposes	**36,823**	40,594
Origination and reversal of timing differences	-	(7,842)
Other timing differences	-	76,809
Overprovision in respect of prior year	-	(582,040)
Group relief claimed	**(106,692)**	(24,078)
Movement in unprovided deferred tax asset	**238,294**	-
Total current tax charge/(credit) (see above)	**58,933**	(24,078)

9 Dividends

	2009	2008
	£	£
Final - £Nil per share *(2008 £105)*	-	2,100,000

Notes *(continued)*

10 Tangible assets

	Plant and machinery	Motor vehicles	IT equipment and fixtures and fittings	Total
	£	£	£	£
Cost				
At beginning of year	6,541,214	111,619	1,307,237	7,960,070
Additions	152,098	-	3,132	155,230
Disposals	(199,132)	(27,495)	-	(226,627)
At end of year	6,494,180	84,124	1,310,369	7,888,673
Depreciation				
At beginning of year	4,484,663	89,154	1,174,367	5,748,184
Charge in the year	615,273	10,469	62,718	688,460
Disposals	(192,349)	(27,495)	-	(219,844)
At end of year	4,907,587	72,128	1,237,085	6,216,800
Net book value				
At 30 June 2009	**1,586,593**	**11,996**	**73,284**	**1,671,873**
At 30 June 2008	2,056,551	22,465	132,870	2,211,886

Tangible fixed assets include assets held under hire purchase contracts with a cost of £1,879,000 *(2008 £1,838,609)*, accumulated depreciation of £825,469 *(2008 £445,181)* and a net book value of £1,053,531 *(2008 £1,393,428)*

11 Stocks

	2009	2008
	£	£
Raw materials	**960,185**	891,399
Work in progress	**170,774**	268,819
Finished goods	**124,757**	66,938
	1,255,716	1,227,156

Notes *(continued)*

12 Debtors: Amounts falling due within one year

	2009 £	2008 £
Trade debtors	**2,067,091**	3,108,019
Amounts owed by group undertakings	**3,196,762**	134,326
Corporation tax	**206,000**	254,372
Other debtors	-	43,239
Prepayments and accrued income	**321,128**	376,743
Deferred tax asset (see below)	-	58,933
	5,790,981	3,975,632

Amounts owed by group undertakings are unsecured, interest free andrepayable on demand

Deferred tax asset

	£
Balance at beginning of year	58,933
Profit and loss account (see note 8)	(58,933)
Balance at end of year	-

The deferred tax asset as at 30 June 2009 comprises

	2009 £	2008 £
Accelerated capital allowances	**354,395**	(22,865)
Short term timing differences	**14,680**	81,798
Less not provided	**(369,075)**	-
	-	58,933

The deferred tax asset is not provided for on the basis that its recoverability cannot be accurately foreseen in the short term future

13 Creditors: Amounts falling due within one year

	2009 £	2008 £
Bank loans and overdrafts (see note 16)	**16,078**	16,078
Hire purchase contracts (see note 15)	**426,346**	451,644
Trade creditors	**1,047,882**	1,501,922
Amounts owed to group undertakings	**277,447**	236,633
Social security and other taxes	**440,962**	359 523
Other creditors	-	62,224
Accruals and deferred income	**684,982**	487,478
	2,893,697	3,115,502

Amounts owed to group undertakings are interest free, unsecured and repayable on demand

Notes *(continued)*

14 Creditors: Amounts falling due after more than one year

	2009 £	2008 £
Bank loans and overdrafts (see note 16)	16,076	32,153
Hire purchase contracts (see note15)	544,885	973,358
	560,961	1,005,511

15 Obligation under hire purchase contracts and leases

	Hire purchase contracts	
	2009 £	2008 £
Net obligations repayable		
Within one year	426,346	451,644
Between two and five years	544,885	973,358
	971,231	1,425,002

At 30 June 2009, the company had annual commitments under non-cancellable operating leases for assets (none relate to land and buildings) expiring as follows

	Other	
	2009 £	2008 £
Expiring		
Within one year	350,037	310,271
Between two and five years	464,287	335,509
	814,324	645,780

16 Loans and borrowings

	2009 £	2008 £
Bank loans and overdrafts	32,154	48,231
Maturity of financial liabilities		
In one year or on demand	16,078	16,078
In more than two years, but not more than five years	16,076	32,153
	32,154	48,231

Notes *(continued)*

17 Called up share capital

	2009	2008
	£	£
Allotted, called up and fully paid·		
20,000 ordinary 'A" shares of £1 each	**20,000**	20,000

18 Reserves

	Profit and loss reserve	Capital redemption reserve	Total
	£	£	£
At beginning of year	6,149,522	3,000	6,152,522
Loss for the financial year	(449 975)	-	(449,975)
Dividends paid	-	-	-
At end of year	**5,699,547**	**3,000**	**5,702,547**

19 Pension commitments

The company participates in a defined contribution pension scheme for its directors and employees The assets of the scheme are held separately from those of the company in an independently administered fund Pension contributions for the year amounted to £125,015 *(2008 £167,715)* Accrued pension contributions amounted to £12,306 at the year end *(2008 £13,184)*

20 Capital commitments

The company has no capital commitments at 30 June 2009 *(2008 £Nil)*

21 Related party disclosures

Amounts payable at the year end were as follows

	2009	2008
	£	£
Halcon Properties Limited	**1,035**	-
Newlyn Homes Limited	-	-
Idiom Design Limited	**29,972**	50,802

Amounts charged during the year were as follows

	2009	2008
	£	£
Halcon Properties Limited	**105,647**	750,000
Newlyn Homes Limited	-	-
Idiom Design Limited	**151,054**	162,623

Notes *(continued)*

21 Related party disclosures *(continued)*

As a subsidiary undertaking of Utopia Bathroom Group Limited, the company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures" from disclosing transactions with wholly owned subsidiaries of the group headed by Utopia Bathroom Group Limited (see note 24)

Barrhead Sanitary Ware is 98 2% owned by the Utopia Bathroom Group and as such, no longer qualifies for the above exemption under FRS 8 Transactions made in the year were as follows

	2009	2008
	£	£
Sales to Barrhead Sanitary Ware	**23,090**	27,422
Purchases from Barrhead Sanitary Ware	**(1,404,523)**	(967,302)
Net recharge income	**116,134**	6,467

Amounts receivable/payable at the year end were

	£	£
Amounts receivable	**54,888**	17,689
Amounts payable	**277,448**	263,405

22 Reconciliation of movements in total shareholders' funds

	2009	2008
	£	£
(Loss)/profit for the year	**(449,975)**	1,655,201
Dividends (note 9)	**-**	(2,100,000)
Retained loss for the financial year	**(449,975)**	(444,799)
Net reduction in shareholders' funds	**(449,975)**	(444,799)
Opening total shareholders' funds	**6,172,522**	6,617,321
Closing total shareholders' funds	**5,722,547**	6,172,522

23 Contingent liabilities and cross guarantees

A bank overdraft facility has been guaranteed by Utopia Bathroom Group Limited, Utopia Group Limited, Utopia Furniture Limited, Dominion Plumbing Supplies Limited, Barrhead Sanitary Ware Limited, Barrhead International Limited, Utopia Bathrooms Limited, Dominion Plumbing Limited and Kidsville Limited At 30 June 2009, the net amount outstanding on this facility was £117,900 *(2008 £Nil)*

In accordance with the Credit Facilities Agreement dated 27 September 2007, there is a floating secured charge over the assets of all of the companies within the former Utopia Group.

24 Ultimate parent company

The immediate and ultimate parent undertaking is Utopia Bathroom Group Limited, a company registered in England and Wales, which heads the largest and smallest group to consolidate the financial statements of the company Copies of the consolidated group financial statements, which include the company, are available from the Company Secretary at Utopia House, Springvale Avenue, Springvale Business Park, Bilston, Wolverhampton WV14 0QL

Notes *(continued)*

25 Post balance sheet events

On 7 July 2009, the Utopia Bathroom Group entered into revised financing arrangements with its shareholders and bank Details of the refinancing arrangements have been included in the financial statements of the ultimate parent company, Utopia Bathroom Group Limited (see note 24)