

Utopia Furniture Limited

**Directors' report and financial
statements**

Registered number 2826071
For the year ended 30 June 2010

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Utopia Furniture Limited	5
Profit and loss account	7
Balance sheet	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2010

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 results for the year and financial position of the Company are shown in the financial statements on pages 7 to 18.

Trading performance

The performance of the Company was encouraging despite the difficult economic trading conditions and the downturn in the construction and home improvement markets over the past couple of years with sales ahead of the previous year by 5.0%. Operational efficiency improvements previously implemented delivered substantially improved profitability in the year with operating profit of £449,386 (2009 loss £347,284).

Dividends

No dividends were paid or proposed during the year (2009 £Nil).

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 on a 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 had a healthy liquidity ratio of 3.3.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

S Russell	(resigned 26 June 2009, re-appointed 7 July 2009)
H Clark	
E Green	
J Brooke	(resigned 6 August 2010)
M Bailey	

Political and charitable contributions

During the year, the company made charitable donations amounting to £200 (2009 £15,395). 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.

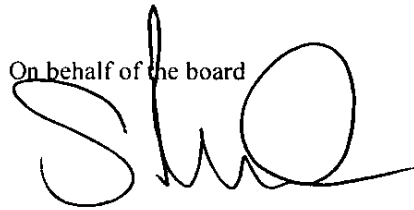
Directors' liability

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 this report.

Directors' report *(continued)*

Auditors

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

19 January 2011

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 2010 set out on pages 7 to 18. 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 2010 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 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

19 January 2011

Profit and loss account
for the year ended 30 June 2010

	<i>Note</i>	2010 £	2009 £
Turnover	2	14,739,203	14,039,854
Cost of sales		(8,746,252)	(8,148,192)
Gross profit		5,992,951	5,891,662
Administrative expenses		(5,543,565)	(6,238 946)
Operating profit/(loss)	3	449,386	(347,284)
Interest receivable and similar income	6	1,720	21,510
Interest payable and similar charges	7	(151,115)	(65,268)
Profit/(loss) on ordinary activities before taxation		299,991	(391,042)
Tax charge on profit/(loss) on ordinary activities	8	-	(58 933)
Profit/(loss) for the financial year	17,21	299,991	(449 975)

All activities relate to continuing operations for both financial years

There are no material differences between the profit/(loss) 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 21 to the financial statements

Balance sheet
at 30 June 2010

	<i>Note</i>	2010	2009
		£	£
Fixed assets			
Tangible assets	9	1,220,468	1,671,873
Current assets			
Stocks	10	1,901,199	1,255,716
Debtors Amounts falling due within one year	11	4,916,792	5,790,981
Cash at bank and in hand		950,555	458,635
		<u>7,768,546</u>	<u>7,505,332</u>
Creditors Amounts falling due within one year	12	<u>(2,355,894)</u>	<u>(2,893,697)</u>
Net current assets		<u>5,412,652</u>	<u>4,611,635</u>
Total assets less current liabilities		<u>6,633,120</u>	<u>6,283,508</u>
Creditors Amounts falling due after more than one year	13	<u>(610,582)</u>	<u>(560,961)</u>
Net assets		<u>6,022,538</u>	<u>5,722,547</u>
Capital and reserves			
Called up share capital	16	20,000	20,000
Capital redemption reserve	17	3,000	3,000
Profit and loss reserve	17	5,999,538	5,699,547
Total shareholders' funds	21	<u>6,022,538</u>	<u>5,722,547</u>

The notes on pages 9 to 18 form a part of these financial statements

These financial statements were approved by the board of directors on 19 January 2011 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.

Going concern

The group and company have recently carried out a strategic review and with the support of all the relevant stakeholders, has refinanced the funding arrangements as disclosed in the group financial statements. As part of the strategic review, the directors have reviewed the group's and company's cash position and having carried out this review, the directors believe that the company will be able to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of the company's financial statements. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

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 23).

Turnover

Turnover represents charges 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.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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 differences can be deducted

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 depreciated 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

	2010 £	2009 £
UK	14,398,509	14,035,880
Europe	340,694	3,974
	<hr/>	<hr/>
	14,739,203	14,039,854
	<hr/>	<hr/>

Notes (continued)

3 Operating profit/(loss)

	2010 £	2009 £
<i>Operating profit/(loss) is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation		
Owned assets	214,582	306,556
Assets on hire purchase contracts	453,646	381,904
Profit on disposal of fixed assets	(5,000)	(126)
Operating lease rentals		
Plant and machinery	10,283	-
Other	476,735	411,470
	<u> </u>	<u> </u>
<i>Services provided by the company's auditors</i>		
Fees payable		
For the audit	18,000	18 000
For other services		
Tax compliance	6,450	6,450
	<u> </u>	<u> </u>

4 Directors' emoluments

	2010 £	2009 £
Aggregate emoluments	450,607	502,462
Fees for services as directors*	-	252 863
Pension contributions to money purchase pension scheme	29,023	18,525
Compensation for loss of office	16,000	-
	<u> </u>	<u> </u>
	495,630	773,850
	<u> </u>	<u> </u>

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

Four directors are accruing retirement benefits under a money purchase pension scheme as at 30 June 2010 (2009 four)

	2010 £	2009 £
<i>Highest paid director</i>		
Aggregate emoluments	167,570	119,165
Pension contributions to money purchase pension scheme	13,819	8,000
	<u> </u>	<u> </u>
	181,389	127,165
	<u> </u>	<u> </u>

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	
	2010	2009
Administration	59	58
Production	106	113
	<u>165</u>	<u>171</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	4,212,274	4,079,004
Social security costs	454,019	423,829
Other pension costs	153,204	125,015
	<u>4,819,497</u>	<u>4,627,848</u>

6 Interest receivable and similar income

	2010	2009
	£	£
Bank interest	<u>1,720</u>	<u>21,510</u>

7 Interest payable and similar charges

	2010	2009
	£	£
Bank interest	1	-
Hire purchase interest	<u>151,114</u>	<u>65,268</u>
	<u>151,115</u>	<u>65,268</u>

Notes (continued)

8 Taxation

Analysis of charge in year

	2010	2009
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	-	-
Prior period adjustment	-	58,933
Total deferred tax	-	58,933
Tax on profit/(loss) on ordinary activities	-	58,933

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2009 higher) than the standard rate of corporation tax in the UK (28% (2009 28%)). The differences are explained below

	2010	2009
	£	£
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	299,991	(391,042)
Current tax at 28% (2009 28%)	83,997	(109,492)
<i>Effects of</i>		
Expenses not deductible for tax purposes	35,129	36,823
Group relief claimed	(333,923)	(106,692)
Movement in unprovided deferred tax asset	214,797	238,294
Total current tax charge (see above)	-	58,933

Factors that may affect future charges

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date, it would have the effect of reducing the unrecognised deferred tax asset at that date by £18,958. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's unrecognised deferred tax asset accordingly.

Notes (continued)

9 Tangible assets

	Plant and machinery	Motor vehicles	IT equipment and fixtures and fittings	Total
	£	£	£	£
Cost				
At beginning of year	6,494,180	84,124	1,310,369	7,888,673
Additions				
External	122,157	69,004	57,064	248,225
Group	10,289	-	-	10,289
Disposals	(73,019)	(8,073)	-	(81,092)
At end of year	6,553,607	145,055	1,367,433	8,066,095
Depreciation				
At beginning of year	4,907,587	72,128	1,237,085	6,216,800
Additions - Group	7,440	-	-	7,440
Charge in the year	589,919	16,478	61,831	668,228
Disposals	(38,768)	(8,073)	-	(46,841)
At end of year	5,466,178	80,533	1,298,916	6,845,627
Net book value				
At 30 June 2010	1,087,429	64,522	68,517	1,220,468
At 30 June 2009	1,586,593	11,996	73,284	1,671,873

Tangible fixed assets include assets held under hire purchase contracts with a cost of £3,590,897 (2009 £1,879,000), accumulated depreciation of £2,887,541 (2009 £825,469) and a net book value of £703,356 (2009 £1,053,531)

10 Stocks

	2010 £	2009 £
Raw materials	1,695,360	960,185
Work in progress	121,007	170,774
Finished goods	84,832	124,757
	<u>1,901,199</u>	<u>1,255,716</u>

Notes (continued)

11 Debtors: Amounts falling due within one year

	2010 £	2009 £
Trade debtors	2,237,306	2,067,091
Amounts owed by group undertakings	2,411,332	3,196,762
Corporation tax	-	206,000
Prepayments and accrued income	268,154	321,128
	<u>4,916,792</u>	<u>5,790,981</u>

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

Deferred tax asset

The unrecognised deferred tax asset as at 30 June 2010 comprises

	2010 £	2009 £
Accelerated capital allowances	553,957	354,395
Short term timing differences	18,680	14,680
	<u>572,637</u>	<u>369,075</u>

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

12 Creditors: Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts (see note 15)	-	16,078
Hire purchase contracts (see note 16)	241,900	426,346
Trade creditors	1,002,062	1,047,882
Amounts owed to group undertakings	159,730	277,447
Social security and other taxes	387,615	440,962
Accruals and deferred income	564,587	684,982
	<u>2,355,894</u>	<u>2,893,697</u>

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

13 Creditors: Amounts falling due after more than one year

	2010 £	2009 £
Bank loans and overdrafts (see note 15)	-	16,076
Hire purchase contracts (see note 14)	610,582	544,885
	<u>610,582</u>	<u>560,961</u>

Notes (continued)

14 Obligation under hire purchase contracts and leases

	Hire purchase contracts	
	2010	2009
	£	£
Net obligations repayable		
Within one year	241,900	426,346
Between two and five years	610,582	544,885
	852,482	971,231

At 30 June 2010, the company had annual commitments under non-cancellable operating leases for assets (none relate to land and buildings) expiring as follows

	2010	Other
	£	2009
		£
Expiring		
Within one year	19,810	83,446
Between two and five years	397,916	342,900
	417,726	426,346

15 Loans and borrowings

	2010	2009
	£	£
Bank loans and overdrafts	-	32,154
<i>Maturity of financial liabilities</i>		
In one year or on demand	-	16,078
In more than two years, but not more than five years	-	16,076
	-	32,154

16 Called up share capital

	2010	2009
	£	£
<i>Allotted, called up and fully paid</i>		
20 000 ordinary "A" shares of £1 each	20,000	20,000

Notes (continued)

17 Reserves

	Profit and loss reserve	Capital redemption reserve	Total
	£	£	£
At beginning of year	5,699,547	3,000	5,702,547
Profit for the financial year	299,991	-	299,991
	<u>5,999,538</u>	<u>3,000</u>	<u>6,002,538</u>

18 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 £153,204 (2009 £125,015). Accrued pension contributions amounted to £66,715 at the year end (2009 £12,306).

19 Capital commitments

The company has no capital commitments at 30 June 2010 (2009 £Nil).

20 Related party disclosures

Ian Hall and David Conn each have a significant shareholding in the ultimate parent company, Utopia Bathroom Group Limited, as well as significant shareholdings in Halcon Properties Limited and Idiom Design Limited. Halcon Properties Limited and Idiom Design Limited therefore qualify as related parties under FRS8.

Amounts payable at the year end were as follows:

	2010 £	2009 £
Halcon Properties Limited	-	1,035
Idiom Design Limited	19,631	29,972
	<u>19,631</u>	<u>31,007</u>

Amounts charged during the year were as follows:

	2010 £	2009 £
Halcon Properties Limited	39,978	105,647
Idiom Design Limited	164,044	151,054
	<u>204,022</u>	<u>256,701</u>

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 23).

Notes (continued)

20 Related party disclosures (continued)

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:

	2010 £	2009 £
Sales to Barrhead Sanitary Ware	-	23,090
Purchases from Barrhead Sanitary Ware	(1,740,726)	(1,404,523)
Net recharge income	<u>125,931</u>	<u>116,134</u>
Amounts receivable/payable at the year end were		
	£	£
Amounts receivable	31,417	54,888
Amounts payable	<u>159,730</u>	<u>277,448</u>

21 Reconciliation of movements in total shareholders' funds

	2010 £	2009 £
Profit/(loss) for the year	299,991	(449,975)
Net increase/(reduction) in shareholders' funds	299,991	(449,975)
Opening total shareholders' funds	5,722,547	6,172,522
Closing total shareholders' funds	<u>6,022,538</u>	<u>5,722,547</u>

22 Contingent liabilities and cross guarantees

As a result of the Group refinancing that took place in July 2009, the company guarantees related party loans made by Halcon Properties Limited to the ultimate parent company Utopia Bathroom Group Limited. The balance of these borrowings at 30 June 2010 amounted to £1,857,143.

23 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.

