

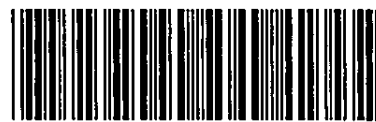
**Utopia Bathroom Group Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 06285982**

**For the year ended 30 June 2011**

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## Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2011

### Principal activity

The principal activity of the group in the year under review was that of the manufacture of bathroom furniture and sanitary ware. The principal activity of the company was that of a holding company.

The group has an excellent reputation for design, quality and service and supplies the majority of quality bathroom retailers in the UK.

### Business review

The results for the year and financial position of the Group and Company are shown in the financial statements on pages 7 to 26.

#### *Trading performance*

The Group continues to perform well in the difficult economic trading conditions following the downturn in the construction and home improvement markets over the past couple of years. The impact of the contraction in the market has been alleviated through an extension of the customer base, retention of existing customers, development of new product ranges and a focus on service delivery. Efficiency improvements have also been achieved through the outsourcing of ceramic manufacturing and the closure of the in-house ceramic manufacturing facility in September 2010.

The Group made an operating profit, before goodwill amortisation, of £226,907 (2010 351,294) and has net assets of £17,497,378 (2010 £18,618,662).

### Results and dividends

The group's loss transferred to reserves for the financial year is £1,122,549 (2010 £1,553,303).

No dividends were paid or proposed during the year ended 30 June 2011 (2010 £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.

## **Directors' report** *(continued)*

### **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 long 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.

### **Directors**

The directors who held office during the year were as follows

D Ridley	(appointed 22 July 2011)
S Russell	
E Green	(resigned 30 June 2011)
J Brooke	(resigned 6 August 2010)
H Clark	
M Bailey	
M Oldham	(appointed 14 April 2011)

### **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.

### **Donations**

Charitable donations made by the group during the year amounted to £800 (2010 £200). There were no political donations made in the current year (2010 £Nil).

## **Directors' report** *(continued)*

### **Disclosure of information to auditor**

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 auditor is 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 auditor is aware of that information

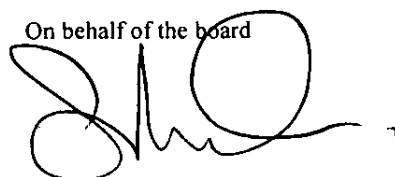
### **Directors' liability**

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

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor 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

24 October 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## KPMG LLP

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

### **Independent auditor's report to the members of Utopia Bathroom Group Limited**

We have audited the financial statements of Utopia Bathroom Group Limited for the year ended 30 June 2011 set out on pages 7 to 26. 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 auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's 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 auditor's report to the members of Utopia Bathroom Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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*

24 October 2011



**Consolidated profit and loss account**  
*for the year ended 30 June 2011*

	Note	Continuing operations	2011 Discontinued operations (note 18)	Total	Continuing operations	2010 Discontinued operations (note 18)	Total
		£	£	£	£	£	£
Turnover	1 2	14,775,821	4,696	14,780,517	12,913,182	2,434,845	15,348,027
Cost of sales		(8,652,707)	(10,724)	(8,663,431)	(6,920,229)	(2,164,620)	(9,084,849)
<b>Gross profit</b>		<b>6,123,114</b>	<b>(6,028)</b>	<b>6,117,086</b>	<b>5,992,953</b>	<b>270,225</b>	<b>6,263,178</b>
Goodwill amortisation		(1,219,293)	-	(1,219,293)	(1,220,000)	-	(1,220,000)
Other administrative expenses		(3,691,981)	(34,277)	(3,726,258)	(3,565,957)	(622,551)	(4,188,508)
Administrative expenses		(4,911,274)	(34,277)	(4,945,551)	(4,785,957)	(622,551)	(5,408,508)
Selling and distribution expenses		(2,163,921)	-	(2,163,921)	(1,723,376)	-	(1,723,376)
<b>Operating loss</b>	3	<b>(952,081)</b>	<b>(40,305)</b>	<b>(992,386)</b>	<b>(516,380)</b>	<b>(352,326)</b>	<b>(868,706)</b>
Exceptional items	18	-	(37,030)	(37,030)	-	(666,894)	(666,894)
Interest receivable and similar income	6	1	-	1	1,720	-	1,720
Interest payable and similar charges	7	(33,055)	-	(33,055)	(19,423)	-	(19,423)
<b>Loss on ordinary activities before taxation</b>		<b>(985,135)</b>	<b>(77,335)</b>	<b>(1,062,470)</b>	<b>(534,083)</b>	<b>(1,019,220)</b>	<b>(1,553,303)</b>
Tax on loss on ordinary activities	8	(60,079)	-	(60,079)	-	-	-
<b>Loss for the financial year</b>	21	<b>(1,045,214)</b>	<b>(77,335)</b>	<b>(1,122,549)</b>	<b>(534,083)</b>	<b>(1,019,220)</b>	<b>(1,553,303)</b>

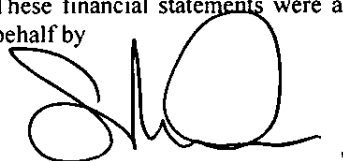
There are no material differences between the loss as shown in the profit and loss account above and their historical cost equivalents

There were 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

**Consolidated balance sheet**  
*at 30 June 2011*

	<i>Note</i>	<b>2011</b>		<b>2010</b>	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10	19,812,806		21,032,099	
Tangible assets	11	840,987		1,220,468	
		20,653,793		22,252,567	
<b>Current assets</b>					
Stocks	13	1,378,022		1,935,151	
Debtors	14	2,647,254		2,577,679	
Cash at bank and in hand		1,046,599		1,140,656	
		5,071,875		5,653,486	
<b>Creditors</b> Amounts falling due within one year	15	(2,539,161)		(2,947,166)	
<b>Net current assets</b>		2,532,714		2,706,320	
<b>Total assets less current liabilities</b>		23,186,507		24,958,887	
<b>Creditors</b> Amounts falling due after more than one year	16	(5,689,129)		(6,340,225)	
<b>Net assets</b>		17,497,378		18,618,662	
<b>Capital and reserves</b>					
Called up share capital	20	24,534,540		24,533,275	
Share premium	21	1,704,832		1,704,832	
Profit and loss reserve	21	(8,724,203)		(7,603,485)	
<b>Total shareholders' funds</b>	24	17,515,169		18,634,622	
Minority interests	21	(17,791)		(15,960)	
<b>Equity</b>		17,497,378		18,618,662	

These financial statements were approved by the board of directors on 24 October 2011 and were signed on its behalf by



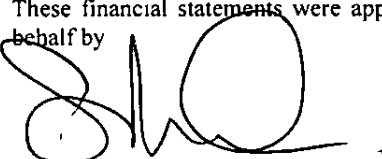
**S Russell**  
*Director*

Company number 06285982

**Company balance sheet**  
*at 30 June 2011*

	<i>Note</i>	<b>2011</b>		<b>2010</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Investments	12	22,252,567		22,252,567	
<b>Current assets</b>					
Debtors	14	601,093		472	
Cash at bank and in hand		76,927		48,662	
		<u>678,020</u>		<u>49,134</u>	
<b>Creditors</b> Amounts falling due within one year	15	(4,898,792)		(3,779,598)	
<b>Net current liabilities</b>		<u>(4,220,772)</u>		<u>(3,730,464)</u>	
<b>Total assets less current liabilities</b>		<b>18,031,795</b>		<b>18,522,103</b>	
<b>Creditors</b> Amounts falling due after more than one year	16	(5,258,731)		(5,729,643)	
<b>Net assets</b>		<u><b>12,773,064</b></u>		<u><b>12,792,460</b></u>	
<b>Capital and reserves</b>					
Called up share capital	20	24,534,540		24,533,275	
Share premium	21	1,704,832		1,704,832	
Profit and loss reserve	21	(13,466,308)		(13,445,647)	
<b>Total shareholders' funds</b>	24	<u><b>12,773,064</b></u>		<u><b>12,792,460</b></u>	

These financial statements were approved by the board of directors on 24 October 2011 and were signed on its behalf by



**S Russell**  
*Director*

Company number 06285982

**Consolidated cash flow statement**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>2011</b> £	<b>2010</b> £
<b>Net cash inflow from operating activities</b>	25	<b>864,545</b>	547,865
Returns on investments and servicing of finance	26	(33,054)	(351,985)
Taxation		62	206,000
Capital expenditure	26	(301,316)	(222,055)
Shares issued		1,265	-
<b>Net cash inflow</b>		<b>531,502</b>	179,825
Financing	26	(625,559)	1,078,731
<b>(Decrease)/increase in net cash in the period</b>		<b>(94,057)</b>	1 258 556
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the year		(94,057)	1,258,556
Cash outflow from decrease in debt and lease financing		625,559	-
<b>Change in net debt resulting from cash flows</b>		<b>531,502</b>	1,258,556
Non-cash changes in net debt		-	25,031,659
<b>Movement in net debt in the period</b>		<b>531,502</b>	26,290,215
Net debt at 1 July 2010		(5,441,469)	(31,731,684)
<b>Net debt at 30 June 2011</b>	27	<b>(4,909,967)</b>	(5,441 469)

## 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 group and company's financial statements

#### *Basis of preparation*

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

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the directors' report

The directors have a reasonable expectation that the company has adequate resources to continue in existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Basis of consolidation*

The financial statements consolidate the results of Utopia Bathroom Group Limited and its subsidiaries using the acquisition method of accounting. Any intra-group transactions, balances and intra-group profits are eliminated on consolidation. All subsidiary undertakings have a year end of 30 June

#### *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 and depreciation*

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 estimate 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

#### *Borrowings*

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Finance charges are amortised over the life of the financial instrument

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 therefore recognised only 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 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

#### *Share-based payments*

The group has applied the requirements of accounting standard FRS 20 "share based payment". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002

The group issues equity settled share based payments to employees. The fair value of equity settled share based payments is determined at the date of grant and is expensed on a straight line basis over the vesting period, based on the group's estimate of shares or options that will eventually vest

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been based on the group's historical share data. The fair value of restricted shares is based on the share price at close of business on the date of grant. Further details are set out in note 5

#### *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 recorded 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 in arriving at operating profit

#### *Hire purchase and leasing commitments*

Assets acquired 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

## Notes (continued)

### 1 Accounting policies (continued)

#### Goodwill

Goodwill arising on the acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised to £Nil over a maximum period of 20 years, being the expected life over which the group will benefit from the acquisition. Goodwill is reviewed for impairment only whenever circumstances may indicate that the carrying asset may not be recoverable, with the exception of at the end of the first financial year after recognition, where a review is performed in line with FRS 10.

#### Investments

Investments in subsidiaries are included at cost less any provisions for impairment which are considered necessary. Costs incurred directly in the acquisition of a subsidiary undertaking are included as a cost of investment under FRS 7.

### 2 Segmental reporting

Turnover and loss before taxation are attributable to the one principal activity of the group, being the manufacture of both bathroom furniture and sanitary ware. An analysis of turnover by geographical destination markets is given below.

	2011 £	2010 £
UK	14,483,512	15,007,333
Europe	297,005	340,694
	<u>14,780,517</u>	<u>15,348,027</u>

### 3 Operating loss

	2011 £	2010 £
<i>Operating loss is stated after charging/(crediting)</i>		
Operating lease rentals		
Plant and machinery	7,265	10,283
Other	489,963	476,735
Depreciation of tangible fixed assets		
Owned assets (see note 11)	285,225	280,193
Leased assets (see note 11)	392,654	453,646
Loss on disposal of fixed assets	2,918	26,638
Goodwill amortisation	1,219,293	1,220,000
Lease renouncement	-	(385,000)
	<u>                    </u>	<u>                    </u>

#### Services provided by the company's auditor

Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	3,500	3,500
Fees payable to the company's auditor for other services		
Audit of company's subsidiaries pursuant to legislation	30,000	30,000
Tax compliance	12,000	12,000
Finance restructuring consultancy	-	47,550
	<u>                    </u>	<u>                    </u>

## Notes (continued)

### 4 Directors' emoluments

	2011 £	2010 £
Aggregate emoluments	522,557	450,607
Pension contributions to money purchase pension scheme	40,835	29,023
Compensation for loss of office	-	16,000
	<u>563,392</u>	<u>495,630</u>

Four directors are accruing retirement benefits under a money purchase pension scheme as at 30 June 2011 (*2010 four*)

	2011 £	2010 £
<i>Highest paid director</i>		
Aggregate emoluments	180,820	167,570
Pension contributions to money purchase pension scheme	18,625	13,819
	<u>199,445</u>	<u>181,389</u>

### 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 2011	2010
Administration	59	66
Production	107	154
	<u>166</u>	<u>220</u>

The total wages and salaries, social security and other pension costs were as follows

	£	£
Wages and salaries	4,338,260	5,224,375
Social security costs	449,989	544,063
Other pension costs (see note 22)	166,242	171,693
	<u>4,954,491</u>	<u>5,940,131</u>



## Notes (continued)

### 5 Staff numbers and costs (continued)

An Enterprise Management Incentives Option (EMI) was introduced in September 2008 for employees at a senior level and above which are exercisable from 26 September 2008 under specific conditions. The company made one grant of 77,000 shares under option. The full cost of this option has been expensed in previous years and there are no outstanding options at 30 June 2011.

### 6 Interest receivable and similar income

	2011 £	2010 £
Bank interest	1	1,720
	<u>1</u>	<u>1,720</u>

### 7 Interest payable and similar charges

	2011 £	2010 £
Amortisation of arrangement fees	-	827,728
Interest on loan notes	-	491,942
Waiver of loan note interest	-	(2,119,343)
Interest on bank loans	-	667,982
Hire purchase interest	33,055	151,114
	<u>33,055</u>	<u>19,423</u>

### 8 Taxation

#### Analysis of charge in year

	2011 £	2011 £	2010 £	2010 £
<i>UK corporation tax</i>				
Current tax on loss for the year	60,141		-	
Adjustments in respect of prior years	(62)		-	
	<u>60,141</u>		<u>-</u>	
Total current tax charge		60,079		-
<i>Deferred tax (see note 14)</i>				
Origination/reversal of timing differences	(85,334)		-	
Effect of law changes	85,334		-	
	<u>-</u>		<u>-</u>	
Total deferred tax		-		-
Tax on loss on ordinary activities		<u>60,079</u>		<u>-</u>

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 27.5% (2010 28%). The differences are explained below

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,062,470)	(1,553,303)
Current tax at 27.5% (2010 28%)	(292,179)	(434,926)
<i>Effects of</i>		
Expenses not deductible for tax purposes	370,281	415,944
Depreciation in excess of capital allowances	(86,928)	301,660
(Utilisation of)/increase in losses	(737)	243,723
Increase/(decrease) in other timing differences	69,704	(526,401)
Total current tax charge (see above)	60,141	-

#### Factors that may affect future current and total tax charges

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the company's future current tax charge accordingly.

### 9 Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year ended 30 June 2011 was £20,661 (2010 £9,039,176).

## Notes (continued)

### 10 Intangible fixed assets

Group	Goodwill £	Other £	Total £
<i>Cost</i>			
At beginning and end of year	24,385,862	24,895	24,410,757
<i>Accumulated amortisation</i>			
At beginning of year	3,353,763	24,895	3,378,658
Charge for the year	1,219,293	-	1,219,293
At end of year	4,573,056	24,895	4,597,951
<i>Net book value</i>			
At 30 June 2011	19,812,806	-	19,812,806
At 30 June 2010	21,032,099	-	21,032,099

The company did not have any intangible fixed assets at 30 June 2011, or at the prior year end

### 11 Tangible assets

Group	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>					
At beginning of year	8,395,075	1,002,996	145,054	545,055	10,088,180
Additions	182,587	118,778	-	9,949	311,314
Disposals	(1,919,504)	(180,619)	(20,000)	-	(2,120,123)
At end of year	6,658,158	941,155	125,054	555,004	8,279,371
<i>Depreciation</i>					
At beginning of year	7,305,678	989,423	80,532	492,079	8,867,712
Charge in the year	593,713	16,945	22,144	45,077	677,879
Disposals	(1,917,537)	(177,770)	(7,084)	(4,816)	(2,107,207)
At end of year	5,981,854	828,598	95,592	532,340	7,438,384
<i>Net book value</i>					
At 30 June 2011	676,304	112,557	29,462	22,664	840,987
At 30 June 2010	1,089,397	13,573	64,522	52,976	1,220,468

## Notes (continued)

### 11 Tangible assets (continued)

Assets held under finance leases, capitalised and included in tangible fixed assets

	2011 £	2010 £
Cost	3,710,543	3,590,897
Accumulated depreciation	(3,280,195)	(2,887,541)
Net book value	<u>430,348</u>	<u>703,356</u>

The company did not have any fixed assets at 30 June 2011, or at the prior period end

### 12 Fixed asset investments

#### Company

	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	31,296,116
<i>Provisions</i>	
At beginning and end of year	(9,043,549)
<i>Net book value</i>	
At beginning and end of year	<u>22,252,567</u>

The company's investments in the share capital of subsidiary undertakings at the balance sheet date include the following

	Principal activity	Equity shareholding	Country of incorporation
Utopia Group Limited	Holding company	100% direct	England and Wales
Utopia Furniture Limited	Manufacture of bathroom furniture	100% indirect	England and Wales
Barrhead International Limited	Holding company	100% indirect	Scotland
Barrhead Sanitary Ware Limited	Dormant	98.2% indirect	Scotland
Utopia Bathrooms Limited	Dormant	100% indirect	England and Wales
Kidsville Limited	Dormant	100% indirect	England and Wales
Dominion Plumbing Supplies Limited	Dormant	100% indirect	England and Wales

### 13 Stocks

	2011 £	2010 £
Raw materials	1,160,271	1,695,359
Work in progress	132,238	154,960
Finished goods	85,513	84,832
	<u>1,378,022</u>	<u>1,935,151</u>

## Notes (continued)

### 13 Stocks (continued)

In the opinion of the directors, the replacement cost of stock is not materially different from cost

The company did not hold any stock at 30 June 2011 (2010 £Nil)

### 14 Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	2,161,512	2,267,034	-	-
Other debtors	5,003	5,003	-	-
VAT	-	-	93	472
Prepayments and accrued income	480,739	305,642	-	-
Amounts owed by group undertakings	-	-	601,000	-
	<u>2,647,254</u>	<u>2,577,679</u>	<u>601,093</u>	<u>472</u>

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

#### Deferred tax

The unrecognised deferred tax asset as at 30 June 2011 comprises

	Recognised		Unrecognised	
	2011	2010	2011	2010
	£	£	£	£
Accelerated capital allowances	-	-	508,802	674,549
Short term timing differences	-	-	7,655	18,680
Losses	-	-	590,842	954,393
	<u>-</u>	<u>-</u>	<u>1,107,299</u>	<u>1,647,622</u>

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

#### Company

The unrecognised deferred tax asset as at 30 June 2011 comprises

	Recognised		Unrecognised	
	2011	2010	2011	2010
	£	£	£	£
Losses	-	-	590,842	609,795
	<u>-</u>	<u>-</u>	<u>590,842</u>	<u>609,795</u>

**Notes (continued)**

**15 Creditors: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Hire purchase contracts (see note 17)	267,437	241,900	-	-
Trade creditors	1,237,742	1,305,155	-	-
Amounts owed to group undertakings	-	-	4,893,598	3,754,598
Other taxes and social security	300,648	422,481	-	-
Accruals and deferred income	673,193	977,630	5,194	25,000
Corporation tax	60,141	-	-	-
	<u>2,539,161</u>	<u>2,947,166</u>	<u>4,898,792</u>	<u>3,779,598</u>

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

**16 Creditors: Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Hire purchase contracts (see note 17)	430,398	610,582	-	-
Related party loans	5,258,731	5,729,643	5,258,731	5,729,643
	<u>5,689,129</u>	<u>6,340,225</u>	<u>5,258,731</u>	<u>5,729,643</u>

**17 Obligations under hire purchase contracts and leases**

**Group**

The group has the following annual commitments under the following lease agreements, expiring as follows

	<b>Hire purchase contracts</b>	
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Net obligations repayable		
Within one year	267,437	241,900
Between two and five years	430,398	610,582
	<u>697,835</u>	<u>852,482</u>

## Notes (continued)

### 17 Obligations under hire purchase contracts and leases (continued)

At 30 June 2011, the group had annual commitments under non-cancellable operating leases for assets expiring as follows

	2011 £	Other 2010 £
Expiring		
Within one year	61,627	19,810
Between two and five years	296,209	397,916
	<u>357,836</u>	<u>417,726</u>

The company does not have any operating or finance lease commitments (2010 £Nil)

### 18 Discontinued operations and exceptional items

#### Group

In March 2010, the Group entered into consultation with employees of Barrhead Sanitary Ware Limited regarding the future of the ceramic manufacturing facility. These discussions led to the decision that a subsidiary (Barrhead Sanitary Ware Limited) would cease ceramic manufacture and that production would be outsourced. The manufacturing facility was closed in September 2010.

The exceptional costs incurred in winding down the operation and the closure of the site totalled £37,030 in the year. This comprised profit on sale of fixed assets (£11,384) and other closure costs (£48,414). The financial results of the ceramic manufacturing operation for the year ended 30 June 2011 are disclosed in the profit and loss account under discontinued operations.

### 19 Minority interests

Minority interests relate to 87,470 ordinary shares in Barrhead Sanitary Ware Limited held by the former owners of the business (see note 21 for a note of minority interest reconciliation).

### 20 Called up share capital

	2011 £	2010 £
<i>Allotted, issued and fully paid</i>		
247,500 Ordinary 'A' shares of £1 each	247,500	247,500
175,999 Ordinary 'B' shares of £1 each	175,999	214,499
126,500 Ordinary 'C' shares of £0.01 each	1,265	-
16,859,776 Ordinary 'D' shares of £1 each	16,859,776	16,821,276
7,250,000 Preferred Ordinary shares of £1 each	7,250,000	7,250,000
	<u>24,534,540</u>	<u>24,533,275</u>

During the year the Company issued 1,265,000 ordinary 'C' shares at par.

During the year the Company converted 38,500 'B' ordinary shares to 'D' ordinary shares.

## Notes (continued)

### 20 Called up share capital (continued)

#### Priority and amounts receivable on a winding up

On a return of capital on winding up but not otherwise, the assets of the Company available for distribution to the holders of A ordinary shares, B ordinary shares, C ordinary shares, D ordinary shares and preferred ordinary shares shall be applied

- (a) First, in redeeming at nominal value all of the preferred ordinary shares,
- (b) Second, in paying to the holders of the preferred ordinary shares (pari passu as A class) a distribution in the sum of £50,000,
- (c) Third, in paying to the A shareholders a sum equal to any arrears or accruals of the dividends on the "A" ordinary shares calculated to the date of the return of capital,
- (d) Fourth, in paying to the A shareholders a sum equal to the subscription price for each share,
- (e) Fifth, in paying to the B shareholders a sum equal to the subscription price for each such share rateably amongst them,
- (f) Sixth, the balance of such assets up to £80,000,000 shall be distributed amongst the holders of the A shareholders and B shareholders (pari passu as if the same constituted one class of share),
- (g) Seventh, in paying to the D shareholders the sum of £1 per share,
- (h) Eighth, the balance of such assets shall be distributed amongst the "A" shareholders, "B" shareholders and "C" shareholders (pari passu as if the same constituted one class of share)

### 21 Reserves and minority interests

#### Group

	Share premium £	Minority interests £	Profit and loss account £	Total £
At beginning of year	1,704,832	(15,960)	(7,603,485)	(5,914,613)
Loss for the financial year	-	(1,831)	(1,120,718)	(1,122,549)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	<u>1,704,832</u>	<u>(17,791)</u>	<u>(8,724,203)</u>	<u>(7,037,162)</u>

A share premium of £1,704,832 was created on the refinancing of the business in July 2009

#### Company

	Profit and loss reserve £
At beginning of year	(13,445,647)
Loss for the financial year	(20,661)
	<hr/>
At end of year	<u>(13,466,308)</u>



## Notes (continued)

### 22 Pension commitments

The company operates 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 £166,242 (2010 £171,693). Accrued pension contributions amounted to £14,635 at the year end (2010 £66,715).

### 23 Capital commitments

The group and company have no capital commitments at 30 June 2011 (2010 £Nil).

### 24 Reconciliation of movements in total shareholders' funds/(deficit)

#### Group

	2011 £	2010 £
Opening shareholders' funds/(deficit)	18,634,622	(5,613,756)
Loss for the year	(1,122,549)	(1,553,303)
Net proceeds of issue of ordinary share capital	1,265	25,776,108
Minority interests	1,831	25,573
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>17,515,169</b>	<b>18,634,622</b>
	<hr/>	<hr/>

#### Company

	2011 £	2010 £
Opening shareholders' funds/(deficit)	12,792,460	(3,944,472)
Loss for the year	(20,661)	(9,039,176)
Net proceeds of issue of ordinary share capital	1,265	25,776,108
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>12,773,064</b>	<b>12,792,460</b>
	<hr/>	<hr/>

### 25 Reconciliation of operating loss to net cash inflow from operating activities

	2011 £	2010 £
Operating loss	(992,386)	(868,706)
Exceptional items (see note 18)	(37,030)	(666,894)
Depreciation of tangible assets (see note 11)	677,879	733,839
Amortisation of goodwill (see note 10)	1,219,293	1,220,000
Loss on sale of fixed assets/impairment provision	2,918	330,464
Decrease/(increase) in stocks	557,129	(369,383)
Increase in debtors	(69,575)	(152,324)
Decrease in creditors	(493,683)	320,869
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>864,545</b>	<b>547,865</b>
	<hr/>	<hr/>

## Notes (continued)

### 26 Analysis of cash flows for headings netted in the cash flow statement

	2011 £	2010 £
<b>Returns on investments and servicing of finance</b>		
Interest received	1	1,720
Interest paid	-	(202,591)
Interest element of hire purchase payments	(33,055)	(151,114)
	<u>(33,054)</u>	<u>(351,985)</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>		
	<u>(33,054)</u>	<u>(351,985)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets (note 11)	(311,314)	(250,859)
Proceeds from sale of fixed assets	9,998	28,804
	<u>(301,316)</u>	<u>(222,055)</u>
<b>Net cash outflow for capital expenditure</b>		
	<u>(301,316)</u>	<u>(222,055)</u>
<b>Financing</b>		
Capital element of finance lease payments	(154,647)	(150,912)
Repayments of bank loans	-	(4,500,000)
(Decrease)/increase in related party loans (note 16)	(470,912)	5,729,643
	<u>(625,559)</u>	<u>1,078,731</u>
<b>Net cash (outflow)/inflow from financing</b>		
	<u>(625,559)</u>	<u>1,078,731</u>

### 27 Analysis of changes in net debt

	At beginning of year £	Cash flow £	At end of year £
<b>Net cash</b>			
Cash at bank and in hand	1,140,656	(94,057)	1,046,599
	<u>1,140,656</u>	<u>(94,057)</u>	<u>1,046,599</u>
<b>Debt</b>			
Hire purchase	(852,482)	154,647	(697,835)
Related party loans	(5,729,643)	470,912	(5,258,731)
	<u>(6,582,125)</u>	<u>625,559</u>	<u>(5,956,566)</u>
<b>Total</b>	<u>(5,441,469)</u>	<u>531,502</u>	<u>(4,909,967)</u>

## Notes (continued)

### 28 Related party transactions

In accordance with FRS 8, director shareholdings at 30 June 2011 were as follows

	£1 ordinary "B" shares	£1 ordinary "C" shares	£1 ordinary "D" shares
E Green	16,500	11,000	1,210,119
H Clarke	19,250	-	-
M Oldham	38,500	16,500	-
S Russell	49,500	55,000	-
M Bailey	33,000	-	-
D Ridley	19,250	-	-
	<u>          </u>	<u>          </u>	<u>          </u>

Ian Hall and David Conn each have a significant shareholding in the company as well as significant shareholdings in Halcon Properties Limited, Idiom Design Limited and Ian Hall Business Consultants Limited. Halcon Properties Limited, Idiom Design Limited and Ian Hall Business Consultants Limited therefore qualify as related parties under FRS 8. Amounts payable at the year end were as follows

	2011 £	2010 £
Halcon Properties Limited	-	-
Idiom Design Limited	28,945	19,631
Ian Hall Business Consultants Limited	-	-
	<u>          </u>	<u>          </u>

Amounts charged during the year were as follows

	2011 £	2010 £
Halcon Properties Limited	25,789	39,978
Idiom Design Limited	165,893	164,044
Ian Hall Business Consultants Limited	10,445	-
	<u>          </u>	<u>          </u>

The group has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures" from disclosing transactions with other wholly owned subsidiaries of the group headed by Utopia Bathroom Group Limited.

Barrhead Sanitary Ware Limited is 98.2% owned by the Utopia Bathroom Group and as such, does not qualify for the above exemption under FRS 8.

Transactions made in the year were as follows

	2011 £	2010 £
Sales to Utopia Furniture	154,927	1,740,726
Net recharge costs	-	(125,931)
	<u>          </u>	<u>          </u>

Amounts receivable/payable at the year end were

Amounts receivable	-	159,730
Amounts payable	-	31,417
	<u>          </u>	<u>          </u>

**Notes** *(continued)*

**28 Related party transactions** *(continued)*

In addition, Barrhead Sanitary Ware Limited also issued a preference share dividend of £24,375 (2010 £24,375) to Barrhead International Limited and amounts owing between Barrhead Sanitary Ware Limited and Utopia Group Limited of £867,153 were eliminated

There were no other related party transactions requiring disclosure other than already disclosed in the financial statements

**29 Controlling interests and ultimate controlling party**

No shareholder owns more than 50% of the share capital and therefore the directors are of the opinion that there is no ultimate controlling party