

Utopia Bathroom Group Limited

**Directors' report and consolidated
financial statements**

Registered number 06285982

For the year ended 30 June 2010

TUESDAY



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Directors' report

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

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 performance of the Group was encouraging despite the difficult economic trading conditions and the downturn in the construction and home improvement markets over the past couple of years. Operational efficiency improvements previously implemented delivered improved profitability (before goodwill amortisation) in the year. The directors believe that further substantial financial improvements will be delivered following the outsourcing of ceramic manufacturing and the closure of the in-house ceramic manufacturing facility in September 2010. In March 2010, it was announced that Barrhead Sanitary Ware would be closed and as such, these operations have been shown as discontinued within the financial statements.

As part of a strategic review carried out by the Group, on 7 July 2009, the shareholders entered into an agreement with the Company's bankers to release the outstanding debt taken out to fund the management buyout in September 2007. In the opinion of the directors, this has significantly strengthened the Group's balance sheet and working capital position and provides a funding structure to enable the long term growth of the Group.

Group borrowings

At the year end, the Group has total borrowings of £5.7 million which comprised of related party loans.

Refinancing arrangements

As part of the strategic review, £16.8 million of shareholder loans have been released in consideration for the issue of £16.8 million of ordinary "D" share capital and £5.5 million cash injection into the business by the shareholders was also agreed. The arrangements also included the release of £12.4 million of bank loans from Royal Bank of Scotland plc for consideration of £4.5 million cash and the issue of £7.3 million zero coupon preferred ordinary shares which are redeemable at par with no fixed redemption date.

Results and dividends

The group's loss transferred to reserves for the financial year is £1,553,303 (2009 £4,294,968).

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

Directors' report *(continued)*

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 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

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

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 £200 (2009 £15,395). There were no political donations made in the current year (2009 £Nil)

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' report *(continued)*

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.

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

11 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 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 auditors' 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 2010 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 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 group's and the parent company's affairs as at 30 June 2010 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 auditors' 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

11 January 2011

Consolidated profit and loss account
for the year ended 30 June 2010

	Note	2010 Continuing operations £	2010 Discontinued operations (note 19) £	Total £	2009 Continuing operations £	2009 Discontinued operations (note 19) £	Total £
Turnover	1,2	12,913,182	2,434,845	15,348,027	12,621,131	2,269,355	14,890,486
Cost of sales		(6,920,229)	(2,164,620)	(9,084,849)	(6,729,469)	(1,919,852)	(8,649,321)
Gross profit		5,992,953	270,225	6,263,178	5,891,662	349,503	6,241,165
Goodwill amortisation		(1,220,000)	-	(1,220,000)	(1,219,293)	-	(1,219,293)
Other administrative expenses		(3,565,957)	(622,551)	(4,188,508)	(4,176,079)	(702,235)	(4,878,314)
Administrative expenses		(4,785,957)	(622,551)	(5,408,508)	(5,395,372)	(702,235)	(6,097,607)
Selling and distribution expenses		(1,723,376)	-	(1,723,376)	(2,049,185)	-	(2,049,185)
Operating loss	3	(516,380)	(352,326)	(868,706)	(1,552,895)	(352,732)	(1,905,627)
Exceptional items	19	-	(666,894)	(666,894)	-	-	-
Interest receivable and similar income	6	1,720	-	1,720	21,510	-	21,510
Interest payable and similar charges	7	(19,423)	-	(19,423)	(2,298,712)	-	(2,298,712)
Loss on ordinary activities before taxation		(534,083)	(1,019,220)	(1,553,303)	(3,830,097)	(352,732)	(4,182,829)
Tax on loss on ordinary activities	8	-	-	-	(112,139)	-	(112,139)
Loss for the financial year	22	(534,083)	(1,019,220)	(1,553,303)	(3,942,236)	(352,732)	(4,294,968)

A statement of movements in reserves is given in note 22 to the financial statements

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 2010

	<i>Note</i>	2010	2009
		£	£
Fixed assets			
Intangible assets	10	21,032,099	22,252,099
Tangible assets	11	1,220,468	2,062,716
		<u>22,252,567</u>	<u>24,314,815</u>
Current assets			
Stocks	13	1,935,151	1,565,768
Debtors: Amounts falling due within one year	14	2,577,679	2,631,355
Cash at bank and in hand		1,140,656	-
		<u>5,653,486</u>	<u>4,197,123</u>
Creditors: Amounts falling due within one year	15	<u>(2,947,166)</u>	<u>(15,226,626)</u>
Net current assets/(liabilities)		<u>2,706,320</u>	<u>(11,029,503)</u>
Total assets less current liabilities		<u>24,958,887</u>	<u>13,285,312</u>
Creditors: Amounts falling due after more than one year	16	<u>(6,340,225)</u>	<u>(18,889,455)</u>
Net assets/(liabilities)		<u>18,618,662</u>	<u>(5,604,143)</u>
Capital and reserves			
Called up share capital	21	24,533,275	461,999
Share premium		1,704,832	-
Profit and loss reserve	22	(7,603,485)	(6,075,755)
Total shareholders' funds/(deficit)	25	<u>18,634,622</u>	<u>(5,613,756)</u>
Minority interests	20/22	<u>(15,960)</u>	<u>9,613</u>
Capital employed		<u>18,618,662</u>	<u>(5,604,143)</u>

These financial statements were approved by the board of directors on 11 January 2011 and were signed on its behalf by



S Russell
Director

Company number 06285982

Company balance sheet
at 30 June 2010

	<i>Note</i>	2010	2009
		£	£
Fixed assets			
Investments	12	22,252,567	31,296,116
Current assets			
Debtors Amounts falling due within one year	14	472	4,500
Cash at bank and in hand		48,662	-
		<u>49,134</u>	<u>4,500</u>
Creditors Amounts falling due within one year	15	(3,779,598)	(16,900,518)
Net current liabilities		<u>(3,730,464)</u>	<u>(16,896,018)</u>
Total assets less current liabilities		18,522,103	14,400,098
Creditors Amounts falling due after more than one year	16	(5,729,643)	(18,344,570)
Net liabilities		<u>12,792,460</u>	<u>(3,944,472)</u>
Capital and reserves			
Called up share capital	21	24,533,275	461,999
Share premium		1,704,832	-
Profit and loss reserve	22	(13,445,647)	(4,406,471)
Total shareholders' funds/(deficit)		<u>12,792,460</u>	<u>(3,944,472)</u>

These financial statements were approved by the board of directors on 11 January 2011 and were signed on its behalf by



S Russell
 Director

Company number 06285982

Consolidated cash flow statement
for the year ended 30 June 2010

	<i>Note</i>	2010 £	2009 £
Net cash inflow from operating activities	26	547,865	887,414
Returns on investments and servicing of finance	27	(351,985)	(878,861)
Taxation		206,000	(120,176)
Capital expenditure	27	(222,055)	(161,521)
Net cash inflow/(outflow)		179,825	(273,144)
Financing	28	1,078,731	(714,571)
Increase/(decrease) in net cash in the period		1,258,556	(987,715)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		1,258,556	(987,715)
Cash outflow from increase in debt and lease financing		-	(842,044)
Change in net debt resulting from cash flows		1,258,556	(1,829,759)
Non-cash changes in net debt		25,031,659	158,274
Movement in net debt in the period		26,290,215	(1,671,485)
Net debt at 1 July 2009		(31,731,684)	(30,060,199)
Net debt at 30 June 2010	28	(5,441,469)	(31,731,684)

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 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

Going concern

The company has recently carried out a strategic review and with the support of all the relevant stakeholders, has refinanced the funding arrangements as disclosed in the directors' report. As part of the strategic review, the directors have reviewed the group's cash position and having carried out this review, the directors believe that the group 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.

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

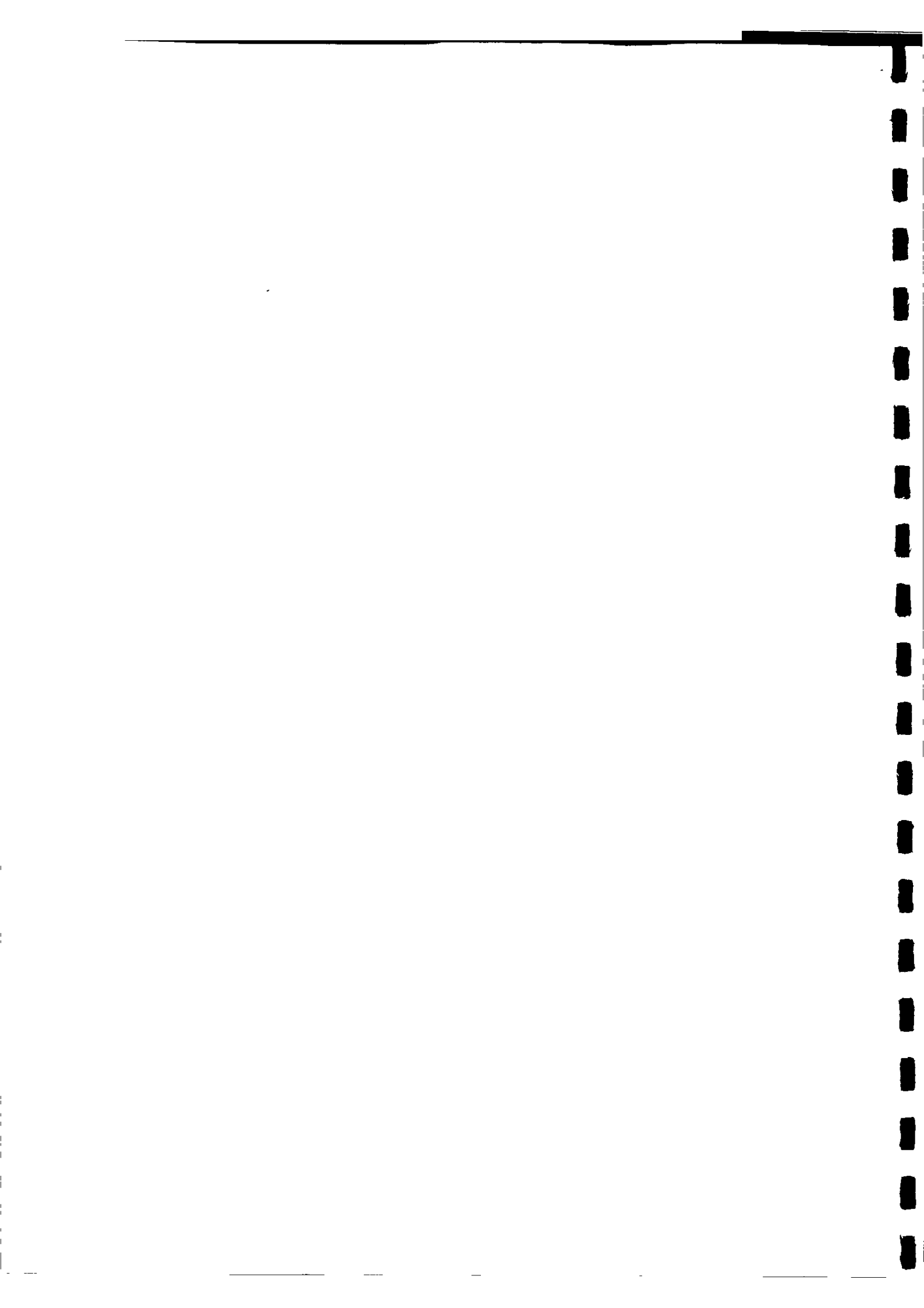
Hire purchase and leasing commitments

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.

	2010 £	2009 £
UK	15,007,333	14,886,512
Europe	340,694	3,974
	<u>15,348,027</u>	<u>14,890,486</u>

3 Operating loss

	2010 £	2009 £
<i>Operating loss is stated after charging/(crediting)</i>		
Operating lease rentals		
Plant and machinery	10,283	-
Other	476,735	411,470
Depreciation of tangible fixed assets		
Owned assets (see note 11)	280,193	383,043
Leased assets (see note 11)	453,646	381,903
Loss on disposal of fixed assets	26,638	76,113
Goodwill amortisation	1,220,000	1,219,293
Lease renouncement	(385,000)	-
	<u></u>	<u></u>

Services provided by the company's auditors

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
Tax consultancy	-	33,000
Finance restructuring consultancy	47,550	-
	<u></u>	<u></u>



Notes (continued)

4 Directors' emoluments

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

Directors' fees were amounts earned by directors on a consultancy basis prior to formal appointment to 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>181,389</u>	<u>127,165</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	
	2010	2009
Administration	66	65
Production	154	175
	<u>220</u>	<u>240</u>

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

	2010 £	2009 £
Wages and salaries	5,224,375	5,070,951
Social security costs	544,063	513,687
Other pension costs (see note 23)	171,693	144,128
	<u>5,940,131</u>	<u>5,728,766</u>

Notes (continued)

5 Staff numbers and costs (continued)

An Enterprise Management Incentives Option (EMI) was introduced in September 2008. Under the EMI, the directors granted options over shares in the company to employees within the group. Options are granted with a fixed exercise price of £1.00. The contractual life of an option is 10 years. Awards under the EMI are generally reserved for employees at senior management level and above. The company has made one grant of 77,000 shares under option. Options granted under EMI are exercisable from 26 September 2008 under specific conditions. Exercise of an option is subject to continued employment. The full cost of this option has been expensed in previous years.

6 Interest receivable and similar income

	2010 £	2009 £
Bank interest	1,720	21,510

7 Interest payable and similar charges

	2010 £	2009 £
Bank interest	-	4,409
Amortisation of arrangement fees	827,728	42,857
Amortisation of issue costs of raising bank loans and loan notes	-	115,417
Interest on loan notes	491,942	828,216
Waiver of loan note interest	(2,119,343)	-
Interest on bank loans	667,982	1,067,545
Hire purchase interest	151,114	65,268
Other bank charges	-	175,000
	<u>19,423</u>	<u>2,298,712</u>

8 Taxation

Analysis of charge in year

	2010 £	2010 £	2009 £	2009 £
<i>UK corporation tax</i>				
Current tax on loss for the year	-		-	
Adjustments in respect of prior years	-		53,206	
	<u>-</u>		<u>53,206</u>	
Total current tax charge		-		53,206
<i>Deferred tax (see note 14)</i>				
Origination/reversal of timing differences	-		-	
	<u>-</u>		<u>-</u>	
Total deferred tax		-		58,933
		<u>-</u>		<u>112,139</u>
Tax on loss on ordinary activities		<u>-</u>		<u>112,139</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

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

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,553,303)	(4,182,829)
Current tax at 28% (2009 28%)	(434,926)	(1,171,192)
<i>Effects of</i>		
Expenses not deductible for tax purposes	415,944	368,659
Origination and reversal of timing differences	-	-
Overprovision in respect of prior year	-	53,206
Depreciation in excess of capital allowances	301,660	235,497
Increase in losses	243,723	368,490
(Decrease)/increase in other timing differences	(526,401)	198,546
Total current tax charge (see above)	-	53,206

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. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 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 had the effect of reducing the unrecognised deferred tax asset at that date by £58,844. 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.

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 2010 was £9,039,176 (2009 £2,290,093).

Notes (continued)

10 Intangible fixed assets

Group

	Goodwill £	Other £	Total £
Cost			
At beginning and end of year	24,385,862	24,895	24,410,757
Accumulated amortisation			
At beginning of year	2,133,763	24,895	2,158,658
Charge for the year	1,220,000	-	1,220,000
At end of year	3,353,763	24,895	3,378,658
Net book value			
At 30 June 2010	21,032,099	-	21,032,099
At 30 June 2009	22,252,099	-	22,252,099

The company did not have any intangible fixed assets at 30 June 2010, or at the prior year end

11 Tangible assets

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost					
At beginning of year	8,399,416	999,678	84,123	491,308	9,974,525
Additions	124,790	3,318	69,004	53,747	250,859
Disposals	(129,131)	-	(8,073)	-	(137,204)
At end of year	8,395,075	1,002,996	145,054	545,055	10,088,180
Depreciation					
At beginning of year	6,484,449	917,061	72,127	438,172	7,911,809
Charge in the year	632,902	30,552	16,478	53,907	733,839
Disposals	(73,689)	-	(8,073)	-	(81,762)
Provision for impairment of value	262,016	41,810	-	-	303,826
At end of year	7,305,678	989,423	80,532	492,079	8,867,712
Net book value					
At 30 June 2010	1,089,397	13,573	64,522	52,976	1,220,468
At 30 June 2009	1,914,967	82,617	11,996	53,136	2,062,716

The provision for impairment in the carrying value of fixed assets relates to the closure of the ceramic manufacturing facility

Notes (continued)

11 Tangible assets (continued)

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

	2010 £	2009 £
Cost	3,590,897	1,879,000
Accumulated depreciation	(2,887,541)	(825,469)
Net book value	<u>703,356</u>	<u>1,053,531</u>

The company did not have any fixed assets at 30 June 2010, or at the prior period end

12 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At beginning of year	31,296,116
Impairment in the year	(9,043,549)
At end of year	<u>22,252,567</u>

With the announced closure of Barrhead Sanitary Ware in March 2010, management assessed that this gave rise to an indicator of impairment. As such, an impairment of £9.0 million was recorded in the current year.

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	UK
Utopia Furniture Limited	Manufacture of bathroom furniture	100% indirect	UK
Barrhead International Limited	Holding company	100% indirect	UK
Barrhead Sanitary Ware Limited	Manufacture of sanitary ware (expected to be dormant post September 2010)	98.2% indirect	UK
Utopia Bathrooms Limited	Dormant	100% indirect	UK
Kidsville Limited	Dormant	100% indirect	UK
Dominion Plumbing Supplies Limited	Dormant	100% indirect	UK

13 Stocks

	2010 £	2009 £
Raw materials	1,695,359	1,030,582
Work in progress	154,960	316,623
Finished goods	84,832	218,563
	<u>1,935,151</u>	<u>1,565,768</u>

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

Notes (continued)

13 Stocks (continued)

The company did not hold any stock at 30 June 2010 (2009 £Nil)

14 Debtors: Amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	2,267,034	2,090,408	-	-
Other debtors	5,003	5,003	-	-
Corporation tax	-	206,000	-	-
VAT	-	-	472	-
Prepayments and accrued income	305,642	329,944	-	4,500
	<u>2,577,679</u>	<u>2,631,355</u>	<u>472</u>	<u>4,500</u>

The deferred tax asset as at 30 June 2010 comprises

	Recognised		Unrecognised	
	2010	2009	2010	2009
	£	£	£	£
Accelerated capital allowances	-	-	674,549	370,341
Short term timing differences	-	-	18,680	183,824
Losses	-	-	954,393	710,612
	<u>-</u>	<u>-</u>	<u>1,647,622</u>	<u>1,264,777</u>

Management have not recognised deferred tax assets of £1 6 million (2009 £1 2 million) on a prudent basis given that losses before taxation have been incurred in the current and proceeding financial years

Company

The deferred tax asset as at 30 June 2010 comprises

	Recognised			
	2010	2009	2010	2009
	£	£	£	£
Losses	-	-	609,795	291,259
Other timing differences	-	-	-	542,241
Loss not recognised	-	-	(609,795)	(833,500)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

15 Creditors: Amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Hire purchase contracts (see note 18)	241,900	426,346	-	-
Bank and other borrowings (see note 17)	-	1,677,929	-	1,661,851
Trade creditors	1,305,155	1,160,774	-	-
Amounts owed to group undertakings	-	-	3,754,598	4,581,825
Other taxes and social security	422,481	266,681	-	-
Other creditors	-	100,364	-	-
Accruals and deferred income	977,630	856,578	25,000	35,833
Bank overdraft (see note 17)	-	117,900	-	17,035
	<u>2,947,166</u>	<u>4,606,572</u>	<u>3,779,598</u>	<u>6,296,544</u>
*Bank and other borrowings (see note 17)	-	10,620,054	-	10,603,974
	<u>2,947,166</u>	<u>15,226,626</u>	<u>3,779,598</u>	<u>16,900,518</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand. In the prior year, bank and borrowings scheduled for repayment in greater than one year were repayable on demand and the amounts were therefore classified as creditors due within one year.

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Hire purchase contracts (see note 18)	610,582	544,885	-	-
Loan notes scheduled for repayment in 2014 (see note 17)	-	18,344,570	-	18,344,570
Related party loans	5,729,643	-	5,729,643	-
	<u>6,340,225</u>	<u>18,889,455</u>	<u>5,729,643</u>	<u>18,344,570</u>

17 Bank and other borrowings

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
<i>Due within one year or repayable on demand</i>				
Bank loans scheduled for repayment				
Within one year	-	1,795,829	-	1,678,886
After one year	-	11,141,080	-	11,125,001
Loan notes scheduled for repayment after one year	-	18,651,271	-	18,651,271
Related party loans scheduled for repayment				
Within one year	-	-	-	-
After one year	5,729,643	-	5,729,643	-
	<u>5,729,643</u>	<u>31,588,180</u>	<u>5,729,643</u>	<u>31,455,158</u>

Notes (continued)

18 Obligations under hire purchase contracts and leases

Group

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

	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 group had annual commitments under non-cancellable operating leases for assets expiring as follows

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

The company does not have any operating or finance lease commitments(2009 £Nil)

19 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 £666,894 in the year. This comprised impairment of fixed assets (£303,826) and redundancy and other closure costs (£363,068). The financial results of the ceramic manufacturing operation for the year ended 30 June 2010 are disclosed in the profit and loss account under discontinued operations.

20 Minority interests

Minority interests relate to 87,470 ordinary shares in Barrhead Sanitary Ware Limited held by the former sole owners of the business (see note 22 for a note of minority interest reconciliation).

Notes (continued)

21 Called up share capital

	2010 £	2009 £
<i>Allotted, issued and fully paid</i>		
Ordinary "A" shares of £1 each	247,500	247,500
Ordinary "B" shares of £1 each	214,499	214,499
Ordinary "D" shares of £1 each	16,821,276	-
Preferred Ordinary shares of £1 each	7,250,000	-
	<u>24,533,275</u>	<u>461,999</u>

During the year the Company issued 16,821,276 ordinary "D" shares at par in exchange for the release of loan notes of this value. The holders of the ordinary "D" shares have no voting rights and are not entitled to dividends.

During the year the Company issued 7,250,000 preferred ordinary shares as part consideration for the release of bank loans. These shares carry zero coupon and are redeemable at par with no fixed redemption date. The holders of the preferred ordinary shares have no voting right and are not entitled to dividends.

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, 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 and B shareholders (pari passu as if the same constituted one class of share)

22 Reserves and minority interests

Group

	Share premium £	Minority interests £	Profit and loss account £	Total £
At beginning of year	-	9,613	(6,075,755)	(6,066,142)
Loss for the financial year	-	(18,785)	(1,534,518)	(1,553,303)
Accumulated adjustments to minority interests	-	(6,788)	6,788	-
Issue of shares	1,704,832	-	-	1,704,832
	<u>1,704,832</u>	<u>(15,960)</u>	<u>(7,603,485)</u>	<u>(5,914,613)</u>
At end of year	<u>1,704,832</u>	<u>(15,960)</u>	<u>(7,603,485)</u>	<u>(5,914,613)</u>

Notes (continued)

22 Reserves and minority interests (continued)

A share premium of £1,704,832 was created on the refinancing of the business reflecting the total of the bank loans, interest and costs waived compared to the nominal value of the preferred ordinary shares issued

Company

	Profit and loss reserve £
At beginning of year	(4,406,471)
Loss for the financial year	(9,039,176)
At end of year	<u>(13,445,647)</u>

23 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 £171,693 (2009 £144,128). Accrued pension contributions amounted to £66,715 at the year end (2009 £12,306).

24 Capital commitments

The group and company have no capital commitments at 30 June 2010 (2009 £Nil).

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

Group

	2010 £	2009 £
Opening shareholders' deficit	(5,613,756)	(1,318,788)
Loss for the year	(1,553,303)	(4,294,968)
Net proceeds of issue of ordinary share capital	25,776,108	-
Minority interests	25,573	-
Closing shareholders' funds/(deficit)	<u>18,634,622</u>	<u>(5,613,756)</u>

Company

	2010 £	2009 £
Opening shareholders' deficit	(3,944,472)	(1,654,379)
Loss for the year	(9,039,176)	(2,290,093)
Net proceeds of issue of ordinary share capital	25,776,108	-
Closing shareholders' funds/(deficit)	<u>12,792,460</u>	<u>(3,944,472)</u>

Notes (continued)

26 Reconciliation of operating loss to net cash inflow from operating activities

	2010 £	2009 £
Operating loss	(1,535,600)	(1,905,627)
Depreciation of tangible assets (see note 11)	733,839	764,946
Amortisation of goodwill (see note 10)	1,220,000	1,219,293
Loss on sale of fixed assets/impairment provision	330,464	76,113
(Increase)/decrease in stocks	(369,383)	72,454
(Increase)/decrease in debtors	(152,324)	1,528,091
Decrease in creditors	320,869	(817,856)
Decrease in provision for liabilities and charges	-	(50,000)
Net cash inflow from operating activities	<u>547,865</u>	<u>887,414</u>

27 Analysis of cash flows for headings netted in the cash flow statement

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	1,720	21,510
Interest paid	(202,591)	(835,103)
Interest element of hire purchase payments	(151,114)	(65,268)
Net cash outflow for returns on investments and servicing of finance	<u>(351,985)</u>	<u>(878,861)</u>
Capital expenditure		
Purchase of tangible fixed assets (note 11)	(250,859)	(168,432)
Proceeds from sale of fixed assets	28,804	6,911
Net cash outflow for capital expenditure	<u>(222,055)</u>	<u>(161,521)</u>
Financing		
Capital element of finance lease payments	(150,912)	(453,773)
Repayments of bank loans	(4,500,000)	(641,077)
New related party loans – net of repayments	5,729,643	380,279
Net cash inflow/(outflow) from financing	<u>1,078,731</u>	<u>(714,571)</u>

Notes (continued)

28 Analysis of changes in net debt

	At beginning of year £	*Non-cash changes £	Cash flow £	At end of year £
Net cash				
Cash at bank and in hand	(117,900)	-	1,258,556	1,140,656
Debt				
Hire purchase	(971,231)	-	118,749	(852,482)
Bank loans	(12,297,983)	7,765,820	4,532,163	-
Loan notes	(18,344,570)	18,344,570	-	-
New related party loans	-	-	(5,729,643)	(5,729,643)
	(31,613,784)	26,110,390	(1,078,731)	(6,582,125)
Total	(31,731,684)	26,110,390	179,825	(5,441,469)

*Non-cash movements relate to debt restructuring— conversion of debt to equity

29 Related party transactions

In accordance with FRS 8, director shareholdings at 30 June 2010 were as follows

E Green	22,000 £1 ordinary "B" shares
J Brooke	44,000 £1 ordinary "B" shares

During the year, Utopia Group Limited renounced a lease of the property formerly occupied by Barrhead Sanitary Ware Limited to the landlord, Halcon Properties Limited, for £385,000 net of costs

As part of the re-financing exercise in July 2009, related party loans were arranged for Utopia Bathroom Group Limited for an amount of £5.7 million with Halcon Properties Limited

The group has taken advantage of the exemption in Financial Reporting Standard 2 "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, no longer qualifies for the above exemption under FRS 8

Transactions made in the year were as follows

	2010 £	2009 £
Sales to Utopia Furniture	1,740,726	1,404,523
Purchases from Utopia Furniture	-	(23,090)
Net recharge costs	(125,931)	(116,134)

Amounts receivable/payable at the year end were

Amounts receivable	159,730	277,448
Amounts payable	31,417	54,888

Notes *(continued)*

29 Related party transactions *(continued)*

In addition, Barrhead Sanitary Ware Limited also issued a preference share dividend of £24,375 to Barrhead International Limited

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

30 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