Barrhead Sanitary Ware Limited

Directors' report and financial statements

Registered number SC138807

For the year ended 30 June 2009

Contents

Directors' report

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

Principal activity

The principal activity of the company in the year under review was that of the manufacture and sale of sanitary ware and related products. The company is a 100 year old sanitary ware factory based on the outskirts of Glasgow and produces mid to upper market sanitary ware for the bathrooms market.

Business review

The results for the year and the financial position of the company are as shown in the annexed financial statements on pages 6 to 18. During the year, a continued focus on efficiency improvements and cost savings has helped to reduce the operating loss to £352,733 *(2008: loss of £891,780)*. This review covered warehouse costs, people costs and a focus on product margins.

Dividends

No ordinary dividends were paid or proposed for the year ended 30 June 2009 *(2008: £Nil)*. Preference share dividends are disclosed in note 8.

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 actively maintains a mixture of long term and short term debt finance that is designed to ensure the company has sufficient available funds for operations. The ongoing financing arrangements are regularly reviewed by the directors (see note 26).

Directors' report *(continued)*

Going concern

The directors of the company have considered the going concern of the company on the basis that the company has net liabilities at 30 June 2009. Having reviewed the group's cash position, restructuring plan and cash flow forecasts, the directors believe that with confirmed ongoing group support, the company will be able to meet its financial obligations as they fall due for the foreseeable future from the date of approval of the company's financial statements. Thus, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Directors

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

S Cox	(resigned 3 November 2008)
S Russell	(appointed 1 February 2008, resigned 26 June 2009, re-appointed 7 July 2009)
D Ridley	
H Bray	(appointed 1 July 2008)
E Green	(appointed 17 June 2009)
J Brooke	
T Williams	(resigned 19 December 2008)

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.

Auditors

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

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

On behalf of the board

S Russell
Secretary

15/17 Nasmyth Road South
Hillington
Glasgow
G52 4RE

15 March 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditors' report to the members of Barrhead Sanitary Ware Limited

We have audited the financial statements of Barrhead Sanitary Ware Limited for the year ended 30 June 2009 set out on pages 6 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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Barrhead Sanitary Ware 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

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

15 March 2010

Profit and loss account
for the year ended 30 June 2009

	Note	2009 £	2008 £
Turnover	2	**2,269,354**	3,123,618
Cost of sales		**(1,919,852)**	(2,650,653)
Gross profit		**349,502**	472,965
Administrative expenses		**(702,235)**	(1,364,745)
Operating loss	3	**(352,733)**	(891,780)
Interest payable and similar charges	6	**(24,375)**	(24,375)
Loss on ordinary activities before taxation		**(377,108)**	(916,155)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial year		**(377,108)**	(916,155)

All activities relate to continuing operations for both financial years.

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

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented. A statement of movements in reserves is given in note 19 to the financial statements.

Balance sheet
at 30 June 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	9		-		-
Tangible assets	10		390,843		530,369
			390,843		530,369
Current assets					
Stocks	11	310,054		411,066	
Debtors: Amounts falling due within one year	12	324,403		426,760	
Cash at bank and in hand		246		390	
		634,703		838,216	
Creditors: Amounts falling due within one year	13	(907,002)		(847,308)	
Net current liabilities			(272,299)		(9,092)
Total assets less current liabilities			118,544		521,277
Creditors: Amounts falling due after more than one year	14		(715,000)		(690,625)
Provisions for liabilities and charges	17		-		(50,000)
Net liabilities			(596,456)		(219,348)
Capital and reserves					
Called up share capital	18		4,945,945		4,945,945
Profit and loss reserve	19		(5,542,401)		(5,165,293)
Total shareholders' deficit	19,22		(596,456)		(219,348)

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

S Russell
Director

Company number: SC138807

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 directors have prepared these financial statements on a going concern basis as the ultimate parent company, Utopia Bathroom Group Limited, has confirmed in writing that it will provide not withstanding the net current liabilities and net liabilities at the balance sheet date, ongoing financial support to enable the company to settle its liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

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 25).

Turnover

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

Tangible fixed assets

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

Plant and machinery	-	2 to 40 years straight line
Fixtures and fittings	-	3 to 10 years straight line

Stocks

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

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

Taxation

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

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

Deferred tax assets are regarded as recoverable and 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.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

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

Foreign currencies

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

Operating leasing commitments

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. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged to the profit and loss account.

Intangible assets

Intangible assets include development costs relating to trademarks and computer software costs that are being amortised over their expected useful life of ten years.

2 Turnover

Turnover for both the current and prior financial year is attributable to the company's principal activity which is carried out in the United Kingdom.

An analysis of turnover by geographical destination is given below:

	2009	2008
	£	£
UK	**2,269,354**	3,088,493
Europe	**-**	15,527
Outside Europe	**-**	19,598
	2,269,354	3,123,618

Notes *(continued)*

3 Operating loss

	2009	2008
	£	£
Operating loss is stated		
after charging		
Operating lease rentals:		
Plant & machinery	-	14,651
Other (including land and buildings)	**65,454**	115,582
Depreciation:		
Owned assets	**76,487**	112,859
Loss on disposal of fixed assets	**76,241**	-
Services provided by the company's auditors (2008: previous auditors)		
Fees payable for audit	**12,000**	12,000
Tax compliance	**4,300**	-

4 Directors' emoluments

Directors' emoluments were borne by the ultimate parent company for both financial years, although £91,561 *(2008: £83,312)* was recharged to the company in respect of services provided in relation to the company. Directors' emoluments are disclosed within the group financial statements of Utopia Bathroom Group Limited for the year ended 30 June 2009.

5 Staff numbers and costs

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

	Number of employees	
	2009	2008
Production	**49**	63
Sales and administration	**8**	12
	57	75

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**991,947**	1,166,144
Social security costs	**89,858**	99,636
Other pension costs	**19,113**	20,319
	1,100,918	1,286,099

Notes *(continued)*

6 Interest payable and similar charges

	2009 £	2008 £
Preference share dividends proposed	**24,375**	24,375

7 Taxation

Analysis of charge in year

	2009 £	£	2008 £	£
UK corporation tax				
Current tax on income for the year	-		-	
Adjustments in respect of prior years				
Total current tax				
Deferred tax (see note 12)				
Origination/reversal of timing differences	-		-	
Total deferred tax		-		-
Tax on loss on ordinary activities		-		-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2008: higher)* than the standard rate of corporation tax in the UK (28% *(2008: 29.5%)*). The differences are explained below:

	2009 £	2008 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(377,108)**	(916,155)
Current tax at 28% *(2008: 29.5%)*	**(105,590)**	(270,291)
Effects of:		
Expenses not deductible for tax purposes	**11,434**	7,782
Origination and reversal of timing differences	-	81,545
Group relief surrendered	-	185,608
Movement in unprovided deferred tax asset	**94,156**	-
Other timing differences	-	(4,644)
Total current tax charge (see above)	-	-

Notes *(continued)*

8 Dividends

	2009	2008
	£	£
Preference dividend	**24,375**	24,375

The preference dividend of £24,375 *(2008: £24,375)* has been accrued but not paid and is included within creditors: amounts falling due after more than one year.

9 Intangible fixed assets

	Development costs	**Computer software**	**Total**
	£	£	£
Cost			
At beginning of year	18,915	5,980	24,895
Additions			
At end of year	18,915	5,980	24,895
Amortisation			
At beginning of year	18,915	5,980	24,895
Charge for the year			
At end of year	18,915	5,980	24,895
Net book value			
At 30 June 2009	-	-	-
At 30 June 2008	-	-	-

Following a review of intangible assets, the development costs and computer software costs were fully written down during 2008. The development costs related to trademark expenditure.

Notes *(continued)*

10 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At beginning of year	1,992,116	177,017	2,169,133
Additions	9,602	3,600	13,202
Disposals	(96,482)	-	(96,482)
Transfer from group undertakings	-	-	-
At end of year	1,905,236	180,617	2,085,853
Depreciation			
At beginning of year	1,538,474	100,290	1,638,764
Charge in the year	58,628	17,859	76,487
Disposals	(20,241)	-	(20,241)
At end of year	1,576,861	118,149	1,695,010
Net book value			
At 30 June 2009	**328,375**	**62,468**	**390,843**
At 30 June 2008	453,642	76,727	530,369

11 Stocks

	2009 £	2008 £
Raw materials	**70,397**	119,654
Work in progress	**145,850**	138,103
Finished goods	**93,807**	153,309
	310,054	411,066

12 Debtors: Amounts falling due within one year

	2009 £	2008 £
Trade debtors	**23,317**	412,669
Amounts owed by group undertakings	**277,447**	-
Other debtors	**14,824**	-
Prepayments and accrued income	**8,815**	14,091
	324,403	426,760

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

Notes *(continued)*

12 Debtors: Amounts falling due within one year *(continued)*

The deferred tax asset as at 30 June 2009 comprises:

	Provided		Unprovided	
	2009	2008	**2009**	2008
	£	£	**£**	£
Accelerated capital allowances	**-**	(4,992)	**14,282**	-
Short term timing differences	**-**	4,513	**-**	-
Losses	**-**	479	**419,353**	341,643
	-	-	**433,635**	341,643

No provision for the deferred tax asset is made as there is no likelihood of realisation in the short term.

13 Creditors: Amounts falling due within one year

	2009	2008
	£	£
Bank loans and overdrafts (see note 15)	**482,797**	235,807
Trade creditors	**112,892**	285,185
Amounts owed to group undertakings	**54,888**	-
Social security and other taxes	**20,792**	101,985
Other creditors	**2,245**	2,116
Accruals and deferred income	**233,388**	222,215
	907,002	847,308

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

14 Creditors: Amounts falling due after more than one year

	2009	2008
	£	£
Preference shares	**325,000**	325,000
Preference shares accrued dividend	**390,000**	365,625
	715,000	690,625

15 Loans and borrowings

An analysis of the maturity of loans is given below:

	2009	2008
	£	£
Amounts falling due within one year or repayable on demand		
Bank overdrafts	**482,797**	235,807

Notes *(continued)*

16 Financial commitments

At 30 June 2009, the company had annual commitments under noncancellable operating leases expiring as follows:

	Other operating leases	
	2009	2008
	£	£
Expiring:		
Within one year	**41,594**	2,669
Between one and five years	**13,468**	47,156
	55,062	49,825

17 Provisions for liabilities and charges

	Dilapidations
	£
At 1 July 2008	50,000
Expenditure incurred	(50,000)
At 30 June 2009	-

Dilapidations relate to obligations under current operating lease contracts. The expenditure is expected to be incurred within one to two years.

18 Called up share capital

	2009	2008
	£	£
Allotted, called up and fully paid:		
Included in equity:		
4,508,835 ordinary voting shares of £1 each	**4,508,835**	4,508,835
437,110 ordinary non-voting shares of £1 each	**437,110**	437,110
	4,945,945	4,945,945
Included in creditors:		
325,000 preference shares of £1 each	**325,000**	325,000

During the year ended 30 June 2009, amounts on current accounts owed to the intermediate parent undertaking, Utopia Group Limited, totalling £Nil, were capitalised *(2008: £356,381)*. As a result, Nil *(2008: 356,381)* ordinary shares of £1 each were issued to Utopia Group Limited.

In addition the company has in issue 325,000 of £1 preference shares to Barrhead International Limited, Included in creditors (see note 14).

Under the terms of the preference share subscription agreements, the company is liable to pay a cumulative preferential net dividend of the preference shares of 75 pence per annum per share. The dividends are payable half yearly on 30 April and 31 October in each year, ranking in priority to any dividend paid on any other class of shares. The entitlement of the preference shareholders is however subject to the limitation that dividends paid shall not exceed 49.9% of the income of the company available for distribution.

Notes *(continued)*

18 Called up share capital *(continued)*

The cumulative redeemable preference shares were due to be redeemed in four equal tranches at par (together with all arrears and accruals of dividend) on each of the following dates:

31 January 1998
31 July 1998
31 January 1999
31 July 1999

The shares will be redeemed when sufficient distributable reserves are available in accordance with the Companies Act 2006 and Articles of Association.

The company has the option to redeem the preference shares at par, at any time. The preference shareholders also have the option to convert their preference shares into ordinary, non-voting shares at any time. Consequently, under FRS 25, these shares have been reclassified to other debt (see note 14).

On a winding up, the surplus assets of the company shall be applied as follows:

- in paying to the holders of the preference shares £1 per share with any arrears or accruals of the preference dividend;
- the balance of the surplus assets shall be distributed equally amongst the holders of the voting shares and the non-voting shares in proportion to the number of shares held pro rata to the capital paid thereon.

The non-voting shares have no voting rights except in relation to the declaration of an ordinary dividend, a winding up or a valuation of their class rights.

The preference shareholders can vote on certain matters if their dividend is in arrears or their shares have not been redeemed when due for redemption.

19 Reserves

	Profit and loss reserve £
At beginning of year	(5,165,293)
Loss for the year	(377,108)
At end of year	**(5,542,401)**

20 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 £19,113 *(2008: £20,319)*.

Notes *(continued)*

21 Related party disclosures

As a subsidiary undertaking of Utopia Bathroom Group Limited, the company 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 (see note 25).

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:

	2009	2008
	£	£
Sales to Utopia Furniture	**1,404,523**	967,302
Purchases from Utopia Furniture	**(23,090)**	(27,422)
Net recharge costs	**(116,134)**	(6,467)

Amounts receivable/payable at the year end were:

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

In addition, Barrhead Sanitary Ware issued a preference share dividend of £24,375 as disclosed in note 8.

22 Reconciliation of movements in total shareholders' deficit

	2009	2008
	£	£
Opening total shareholders' funds/(deficit)	**(219,348)**	340,426
Loss for the year	**(377,108)**	(916,155)
Share capital issued	-	356,381
Closing total shareholders' (deficit)/funds	**(596,456)**	(219,348)

23 Contingent liabilities and cross guarantees

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

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

Details of the company's contingent liability under the terms of the preference share subscription agreements are given in note 18.

Notes *(continued)*

24 Other financial commitments

The company has guaranteed the obligations of its parent undertaking in respect of the payment of £60,000 subordinated guaranteed loan notes 2002. The loan notes are repayable under the following terms:

- one half of any taxation saved by Barrhead Sanitary Ware Limted in utilising tax losses shall be repaid;
- one third of net profits of Barrhead Sanitary Ware Limited over £250,000 in any financial year shall be repaid.

25 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.

26 Post balance sheet events

On 7 July 2009, the Utopia Bathroom Group entered into revised financing arrangements with its shareholders and bank. Details of the refinancing arrangements have been included in the financial statements of the ultimate parent company, Utopia Bathroom Group Limited (see note25).