Aqualisa Products Limited

Annual report and financial statements

for the year ended 31 December 2013

Registered number 01281596

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Strategic report for the year ended 31 December 2013

The directors present their strategic report of Aqualisa Products Limited for the year ended 31 December 2013.

Principal activities
The company's principal activity is, and will continue to be, the manufacture and distribution of shower systems and accessories.

Results
The results for the financial year show a profit after taxation of £2,088,000 (2012: £2,825,000) on sales of £34,098,000 (2012: £34,281,000). The company showed an operating profit of £2,683,000 (2012: £3,524,000). The directors approved the payment of a dividend on 31 July 2013 of £43,160,000 (2012: £nil). The dividend payment was used by the company's parent Aqualisa Finance Limited to repay part of the outstanding inter-group loan.

Business Review

2013 was a year of transition for the company and the Aqualisa group. On 19 April 2013, Aqualisa Holdings Limited, a new company incorporated in the UK, acquired all of the shares in the company's ultimate parent Aqualisa Group Limited. The acquisition of the group by Aqualisa Holdings Limited included the restructuring of the existing group debt, with all of the old loan stock and mezzanine debt swapped for shares in the new holding company. The existing senior debt of £29,974,000 in the company's immediate parent Aqualisa Finance Limited was restructured with £7,474,000 of debt swapped for shares in Aqualisa Holdings Limited, and the remainder converted into a mezzanine loan of £7,500,000 attracting PIK interest of 12% repayable in 2019, and a senior loan of £15,000,000 attracting interest at 4.5% plus LIBOR repayable in instalments of £750,000 in March and September of each year with the balance repayable in 2018. The new loans are provided by the major shareholders in the Aqualisa Holdings Limited, Royal Bank of Scotland plc and Sankaty European Investments S.A.R.L, and place the Aqualisa group on a secure financial footing to allow expansion and future investment in products and services.

Following the acquisition of the Aqualisa group, the company has introduced a number of initiatives to improve the effectiveness of the sales and marketing, manufacturing and purchasing activities of the group. These changes, which will be completed in 2014, are expected to generate significant sales growth and cost savings for the group commencing in 2014.

Sales in the year declined by £183,000, as a result of lower export sales, particularly of OEM products into the USA. Excluding export, sales increased by £166,000 in 2013, with growth seen with the national and regional merchants and in spares sales, offsetting lower sales to the D.I.Y. sector.

Gross profit increased by £531,000 in the year with the gross profit margin percentage increasing from 38% to 41%, as a result of improved productivity, savings from the purchasing initiatives and lower warranty costs.

The lower operating profit for the year resulted from higher selling and distribution costs and administrative expenses, which increased by £737,000 and £635,000 respectively. Over the course of 2013, the company has invested in sales and marketing, with a re-organisation of the sales team to give a greater focus on the core areas of the business, the launch of a new website, and improvements in distribution service levels.

Strategic report for the year ended 31 December 2013 (continued)

Business Review (continued)

Within the higher administrative expenses was the cost of additional investment in customer services to improve our offering to consumers. An amount of £368,000 (2012: £279,000) was incurred in writing off the outstanding loans to the company's parent Aqualisa Group Limited following the restructuring of the group with an amount of £3,206,000 being formally waived on 31 July 2013. An amount of £2,838,000 had already been provided in the previous financial statements of the company.

The new financial structure has allowed funds to be made available for new product development, and the group, which is the leader in digital showers in the UK, launched new digital shower ranges in the first quarter of 2014 to build on its current success. Additional product launches are planned for later in 2014.

Future outlook

2014 has started strongly with the launch of new ranges of digital showers, the introduction of a new terms structure for customers to reward loyalty and brand support, and the introduction of a new website and improved product brochure. The continued improvement in the housing market and the increased number of house moves, have also contributed to increased demand for new showers.

Good progress is being made with the purchasing initiatives, with significant savings already secured and opportunities for further savings identified.

The business has ambitious plans for growth, not only through new products, but also better understanding of, and engagement with, customers and installers.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks affecting the group are considered to relate to the effect of the economic downturn and credit availability on consumer spending as well as competition from other shower companies and groups and confidence in the housing market.

The financial structure of the group exposes it to LIBOR interest rate, currency exchange rate and commodity price risks. The group has forward currency contracts in place for US$ through to February 2015 covering approximately 75% of the forecast US$ expenditure, and for Euros through to December 2014 covering approximately 65% of the forecast Euro expenditure. The net currency exposure of the group in 2014 is forecast to be approximately US$9,000,000 and Euro 5,000,000.

Exposure to unhedged currency or commodity price risk is managed as part of the group's product pricing strategy which is reviewed quarterly.

The group does not have any interest rate hedges in place in respect of LIBOR as there are not expected to be any significant changes in rates within the next twelve months.

Strategic report for the year ended 31 December 2013 (continued)

Key performance indicators
Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs other than the financial KPIs of sales, gross profit and earnings before tax which are already disclosed in the financial statements is not necessary for an understanding of the development, performance or position of the business.

By order of the Board

S P Dexter
Director
29 April 2014

Directors' report for the year ended 31 December 2013

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2013.

Directors
The directors of the company who were in office during the year and up to the date of signing of the financial statements are listed below:

J D Bruton	resigned 19 April 2013
S P Dexter	
C J Gee	resigned 31 January 2014
S J Greenstreet	
D N Hollander	appointed 3 February 2014
G E Letman	resigned 31 May 2013
R Simm	appointed 29 May 2013

Directors' Liability Insurance
The company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors. Under the company's Articles of Association the company has indemnified its Directors and Officers in accordance with the provisions of Section 233 of the Companies Act 2006. A copy of the Articles of Association is available for inspection at the Company's registered office.

Research and development
Product development and innovation is a continuous process. The company continues to commit resources to research and development where this activity is necessary to the evolution of its business in order to keep it technologically in the forefront of the market place.

Employees
It is the policy of the company to follow equal opportunity practices and these include the full consideration of employment prospects for the disabled. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes.

The company places importance on the contributions to be made by all employees to the progress of the company and aims to keep them informed by the use of formal and informal meetings.

Disclosure of information to auditors
The directors confirm so far as each director is aware:

- there is no relevant audit information of which the company's auditors are unaware;
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report for the year ended 31 December 2013 (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Registered office
The registered office of the company is at The Flyers Way, Westerham, Kent TN16 1DE.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting.

On behalf of the Board

S P Dexter
Director
29 April 2014

Independent auditors' report to the members of Aqualisa Products Limited

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by Aqualisa Products Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 Aqualisa Finance Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Gatwick

30 April 2014

Aqualisa Products Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	2	**34,098**	34,281
Cost of sales		**(20,280)**	(20,994)
Gross profit		**13,818**	13,287
Selling and distribution costs		**(4,975)**	(4,238)
Administrative expenses - other		**(5,792)**	(5,246)
Administrative expenses - impairment of amounts due from parent company		**(368)**	(279)
Administrative expenses - total		**(6,160)**	(5,525)
Operating profit		**2,683**	3,524
Interest receivable and similar income	5	**377**	507
Interest payable and similar charges	5	**(11)**	(9)
Profit on ordinary activities before taxation	6	**3,049**	4,022
Tax on profit on ordinary activities	7	**(961)**	(1,197)
Profit for the financial year	17	**2,088**	2,825

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents.

Aqualisa Products Limited Registered number 01281596

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	8	**1,573**	1,661
Investments	9	**42**	42
		1,615	1,703
Current assets			
Stock	10	**4,418**	4,214
Debtors	11	**9,782**	50,992
Cash at bank and in hand		**3,179**	2,523
		17,379	57,729
Creditors: amounts falling due within one year	12	**(5,669)**	(4,999)
Net current assets		**11,710**	52,730
Total assets less current liabilities		**13,325**	54,433
Provisions for liabilities	14	**(1,306)**	(1,342)
Net assets		**12,019**	53,091
Capital and reserves			
Called up share capital	16	**500**	500
Share premium account	17	**263**	263
Revaluation reserve	17	**58**	58
Profit and loss account	17	**11,198**	52,270
Total shareholders' funds	18	**12,019**	53,091

The financial statements on pages 8 to 25 were approved by the board on 23 April 2014 and signed on 29 April 2014 on its behalf by:

D M Hollander
Director

S P Dexter
Director

Notes to the financial statements for the year ended 31 December 2013

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting
The financial statements are prepared on the going concern basis in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

Going concern
The financial statements have been prepared on a going concern basis. The company is a guarantor of loans to Aqualisa Finance Limited (its immediate parent company), Aqualisa Group Limited and Aqualisa Holdings Limited (its ultimate parent company) consequently the going concern assessment for the company needs to take into consideration the position of Aqualisa Group as a whole.

On 19 April 2013, Aqualisa Holdings Limited, a new company incorporated in the UK, acquired all of the shares in Aqualisa Group Limited and the liability for the loan stock and mezzanine loans issued by Aqualisa Group Limited. At the same time the existing Tranche B & C loans in Aqualisa Finance Limited were restructured and amended with the outstanding amount at 19 April 2013 of £29,974,000 being reduced to an amended senior facility of £15,000,000 and a mezzanine facility of £7,500,000 with the balance of the loans being exchanged for A2 ordinary shares in Aqualisa Holdings Limited. New repayment and interest terms were agreed for these loans, with the senior facility being repayable in instalments of £750,000 in March and September each year with the balance repayable in March 2018, and the new mezzanine facility repayable in March 2019. On 3 July 2013, the holders of the loan stock and old mezzanine loans exchanged them for A2 ordinary shares in Aqualisa Holdings Limited.

The directors have considered the trading to date in 2014, the current cash balances and the forecast future prospects for the company and the new group and consider that the company and the new group will be able to meet their obligations in full as they fall due.

Basis of consolidation
The company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of Section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement
The company is a wholly owned subsidiary of Aqualisa Finance Limited and its financial statements are included in the consolidated financial statements of Aqualisa Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 (Revised 1996).

1 Principal Accounting Policies (continued)

Related party transactions
The company is a wholly owned subsidiary of Aqualisa Holdings Limited, a company incorporated in Great Britain. Accordingly, it has taken advantage of the exemption from disclosing transactions with group companies as permitted by Financial Reporting Standard No. 8.

Turnover
Turnover, all of which originates in the United Kingdom, is the invoice value of goods and services supplied, excluding VAT and stated after customer rebates and volume discounts. Turnover is recognised at the point of despatch of the goods or delivery of the services to the customer.

Tangible fixed assets and depreciation
The company has adopted the transitional arrangements under Financial Reporting Standard No. 15 and has maintained the valuations previously supplied by an independent valuer, see note 8.

Additions to tangible fixed assets are stated at historic cost less accumulated depreciation. Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is calculated to write off their cost or valuation over their expected useful economic lives at the following annual rates using the straight-line method.

Factory leasehold improvements	10%
F&F, plant, equipment and tooling	10% - 25%

Leases
The company enters into operating leases on company cars, computer equipment and items of plant and machinery. The leases for the computer equipment are for a term of 3 years and the minimum lease payments amount to substantially all of the fair value of the leased assets so that these leases have been accounted for as finance leases under Financial Reporting Standard No. 5.

Assets held under finance leases are initially reported as the cost of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The assets are depreciated over the shorter of the lease term and their useful economic lives. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and the reduction of the liability.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Investments
Fixed asset investments are held at cost less any provision for permanent diminution in value.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 Principal Accounting Policies (continued)

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value. Cost includes attributable overheads where appropriate. Cost is determined on a FIFO basis. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Foreign currencies
Monetary assets and liabilities denominated in overseas currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Individual transactions are translated at the rate of exchange ruling at the date of the transaction. All exchange differences are included in the profit and loss account.

Deferred taxation
Provision is made for deferred taxation, in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not subject to discounting.

Pensions
The majority of the company's employees are members of the Aqualisa Group Limited defined contribution scheme. The amount of any contributions payable in respect of the accounting period is charged to the profit and loss account in the year to which they relate. Any outstanding or prepaid contributions at the balance sheet date are shown as liabilities or assets as appropriate.

Research and development
Expenditure on research and development is written off in the period in which it is incurred.

Provisions for liabilities and charges
Provisions are recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold. Provisions are not subject to discounting.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Turnover

Turnover is analysed by geographical market as follows:

	2013 £'000	2012 £'000
United Kingdom	**32,776**	32,610
North America	**837**	1,148
Rest of the European Union	**485**	523
	34,098	34,281

All turnover arose within the United Kingdom and is attributed to the manufacture and distribution of shower systems and accessories.

3 Directors' remuneration

	2013 £'000	2012 £'000
Aggregate emoluments and benefits	**533**	618
Defined contribution pension benefits	**40**	54
Compensation for loss of office	**218**	-

Retirement benefits are accruing to 4 of the directors under the Aqualisa Group defined contribution scheme (2012: 5).

	2013 £'000	2012 £'000
Highest paid director		
Aggregate emoluments and benefits	**86**	196
Defined contribution pension benefits	**6**	15
Compensation for loss of office	**218**	-

Notes to the financial statements for the year ended 31 December 2013 (continued)

4 Employee information

Staff costs, including directors' emoluments, were as follows:

	2013	2012
	£'000	£'000
Wages and salaries	7,079	6,511
Social security costs	710	680
Other pension costs (see note 21)	386	389
	8,175	7,580

The average monthly number of employees, including executive directors, during the year was:

By activity	2013	2012
	Number	Number
Production	96	101
Selling and distribution	41	37
Administration	106	99
	243	237

5 Interest

Interest payable and similar charges	2013	2012
	£'000	£'000
Finance lease and other interest	(11)	(9)

Interest receivable and similar income	2013	2012
	£'000	£'000
Bank interest	3	2
Interest on intercompany loans	374	505
	377	507

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	2013	2012
	£'000	£'000
Depreciation of tangible fixed assets		
- owned assets	715	1,063
- leased assets	22	30
Provision against amounts due from ultimate parent company	368	279
Auditors' remuneration		
- audit services	53	48
- non-audit services: taxation	13	20
Operating lease rentals:		
- plant and machinery	434	397
- other	413	413
Exchange losses	109	2
Charitable contributions	-	1
Research and development costs	741	716

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Tax on profit on ordinary activities

(a) Analysis of charge in the year	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on profits of the year	**174**	332
Amounts payable to other group companies in respect of tax saved by group relief	**644**	793
Amounts payable to/(receivable from) other group companies in respect of tax saved by group relief in respect of previous years	**94**	101
Adjustments in respect of previous years	**(102)**	(106)
Total current tax (note 7b)	**810**	1,120
Deferred tax:		
Origination and reversal of timing differences	**91**	16
Change in the tax rate	**60**	61
Total deferred tax (note 15)	**151**	77
Tax on profit on ordinary activities	**961**	1,197

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax charge for the year is different than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

The differences are explained below:	2013 £'000	2012 £'000
Profit on ordinary activities before tax	**3,049**	4,022
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**709**	985
Effects of:		
Provision against loans from ultimate parent not deductible for tax purposes	**86**	68
Expenses not deductible for tax purposes	**89**	35
Differences between capital allowances and depreciation	**(67)**	16
Transfer pricing adjustment	**7**	41
R&D tax credits	**-**	(24)
Other timing differences	**(6)**	4
Adjustment in respect of prior years	**(8)**	(5)
Current tax charge for the year (note 7a)	**810**	1,120

Factors affecting current and future tax charges

The UK main corporation tax rate was reduced from 24% to 23% from 1 April 2013. As a result of this, an effective rate of 23.25% has been used to calculate tax payable on taxable income in the year.

At the balance sheet date, the Finance Act 2013 had been substantively enacted confirming that the main UK corporation tax rate will be 21% from 1 April 2014 and 20% from 1 April 2015. The relevant deferred tax balances have been re-measured.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

8 Tangible fixed assets

	Factory leasehold improvements £'000	F&F, plant, equipment and tooling £'000	Total £'000
Cost or valuation			
At 1 January 2013	1,355	17,502	18,857
Additions	25	624	649
At 31 December 2013	**1,380**	**18,126**	**19,506**
Accumulated depreciation			
At 1 January 2013	1,153	16,043	17,196
Charge for year	102	635	737
At 31 December 2013	**1,255**	**16,678**	**17,933**
Net book value			
At 31 December 2013	**125**	**1,448**	**1,573**
At 31 December 2012	202	1,459	1,661

The net book value of factory leasehold improvements comprised:	**2013**	2012
	£'000	£'000
Short leaseholds	**125**	202

Assets held under finance leases and capitalised in plant and machinery

	2013	2012
	£'000	£'000
Cost	**151**	151
Accumulated depreciation	**(151)**	(133)
Net book value	**-**	18

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Tangible Fixed Assets (continued)

Tangible fixed assets were valued by external surveyors, Edward Rushton Son & Kenyon, Chartered Surveyors, as at 1 January 1997 on the basis of 'existing use value'. The transitional provisions of Financial Reporting Standard No.15 have been followed and the valuation of tangible fixed assets undertaken in 1997 has not been updated and the book amounts have been retained. If fixed assets had not been revalued they would have been included at the following amounts:

	Factory leasehold improvements	
	2013	2012
	£'000	£'000
Cost	**1,864**	1,839
Aggregate depreciation based on cost	**(1,739)**	(1,637)
	125	202

9 Investments

	Shares in group undertakings £'000
Cost	
At 1 January 2013 and 31 December 2013	154
Provisions	
At 1 January 2013 and 31 December 2013	112
Net book value	
At 31 December 2013	**42**
At 31 December 2012	42

At 31 December 2013 the company owned 100% of Hydrocast Products Limited and 100% of Goldsmith Patent (Sevenoaks) Limited. Both subsidiaries were dormant throughout the year, are incorporated in Great Britain and have not been consolidated into the financial statements of the company as the exemption from consolidation by a subsidiary under Financial Reporting Standard No. 1 has been applied. The directors consider the value of the investments to be supported by the underlying assets of those investments.

Notes to the financial statements for the year ended 31 December 2013(continued)

10 Stock

	2013 £'000	2012 £'000
Raw materials	**180**	49
Work in progress	**3,495**	3,394
Finished goods	**743**	771
	4,418	4,214

11 Debtors

	2013 £'000	2012 £'000
Trade debtors	**6,773**	7,289
Amounts owed by group undertakings	**1,704**	42,369
Deferred tax asset (note 15)	**537**	688
Other debtor	**7**	13
Prepayments and accrued income	**761**	633
	9,782	50,992

Of the amount owed by parent companies of £1,704,000 (2012: £42,369,000), £816,000 (2012: £42,369,000) is owed by the company's immediate parent Aqualisa Finance Limited and attracts interest at 1% over base rate on any amounts loaned and is unsecured and repayable on demand. On 31 July 2013, Aqualisa Products Limited declared a dividend of £43,160,000. This dividend was utilised by Aqualisa Finance Limited to repay part of the outstanding loan balance.

All other amounts owed by parent companies are interest free, unsecured and repayable on demand.

Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	3,484	2,615
Amounts owed to group undertakings	43	43
Corporation tax	404	352
Other taxation and social security	609	789
Finance leases (note 13)	2	25
Other creditors	851	860
Accruals and deferred income	276	315
	5,669	4,999

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

13 Finance leases

Future minimum payments under finance leases are as follows:

	2013	2012
	£'000	£'000
Within one year	2	25

Notes to the financial statements for the year ended 31 December 2013 (continued)

14 Provisions for liabilities

	Warranty provision
	£'000
At 1 January 2013	1,342
Charged to the profit and loss account	582
Utilised during the year	(618)
At 31 December 2013	**1,306**

The company gives warranties on its shower systems ranging from one to five years. The provision against the expected future warranty costs is created on sale of the products. The provision will be used over the life of the products over which a warranty is provided.

15 Deferred taxation

	2013
	£'000
Opening deferred tax asset at 1 January 2013	688
Charge for the year (note 7)	(151)
Closing deferred tax asset at 31 December 2013	**537**

Deferred tax asset recognised in the financial statements and the amount unrecognised of the total potential asset is as follows:

	Amount recognised		Amount unrecognised	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Differences between capital allowances and depreciation	530	679	-	-
Other short term timing differences	7	9	-	-
	537	688	-	-

Deferred tax is recognised on the basis that the directors consider that future profits will be generated against which the asset can be recovered.

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Called up share capital

	2013	2012
	£'000	£'000
Allotted and fully paid		
500,000 ordinary shares of £1 each (2012: 500,000)	**500**	500

17 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 January 2013	**263**	**58**	**52,270**
Profit for the financial year	-	-	**2,088**
Dividend paid			**(43,160)**
At 31 December 2013	**263**	**58**	**11,198**

18 Reconciliation of movements in total shareholders' funds

	2013	2012
	£'000	£'000
Opening shareholders' funds	**53,091**	50,266
Profit for the financial year	**2,088**	2,825
Dividend paid	**(43,160)**	-
Closing shareholders' funds	**12,019**	53,091

Notes to the financial statements for the year ended 31 December 2013 (continued)

19 Capital commitments

	2013 £'000	2012 £'000
Expenditure authorised not yet contracted	95	49
Contracts placed for future capital expenditure not provided for in the financial statements	66	20

20 Other commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiry date				
Within one year	30	59	111	92
Between one and five years	354	354	240	219
	384	413	351	311

21 Pension scheme

Defined contribution

The majority of the company's employees are members of the Aqualisa Group defined contribution pension scheme. The charge in the year was £386,000 (2012: £389,000). All contributions have been remitted in accordance with the scheme. An amount of £43,000 (2012: £47,000) is included in the balance sheet reflecting December 2013 contributions payable in January 2014.

Notes to the financial statements for the year ended 31 December 2013 (continued)

22 Contingent liabilities

The company has provided cross guarantees to Aqualisa Finance Limited, Aqualisa Group Limited and Aqualisa Holdings Limited in relation to loans provided to the other members of the Aqualisa Group (which comprise the aforementioned companies). At 31 December 2013 these loans amounted to £22,404,000 (2012: £132,508,000). All of the amount of £22,404,000 guaranteed is loans provided to the Group by related parties.

23 Ultimate parent undertaking

The whole of the company's allotted share capital is held by Aqualisa Finance Limited, a company incorporated in Great Britain, which was regarded by the directors as the immediate parent company at the year end.

The directors consider Aqualisa Holdings Limited, a company incorporated in Great Britain, to be the ultimate parent undertaking.

The results of the company are consolidated into the results of Aqualisa Holdings Limited being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements are available from the company secretary at Aqualisa Holdings Limited, The Flyer's Way, Westerham, Kent, TN16 1DE.