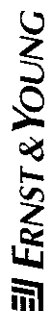


# Croydex Limited

## Report and Financial Statements

31 December 2005

 ERNST & YOUNG



# Croydex Limited

Registered No: 3116584

## Directors

S Brown  
C F Burrows  
N W Nickson  
S P Marriott-Dodington

## Secretary

P G Jones

## Auditors

Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
Hants  
SO14 3QB

## Bankers

HSBC  
165 High Street  
Southampton  
Hants  
SO14 2NZ

## Solicitors

Burges Salmon  
Narrow Quay House  
Narrow Quay  
Bristol  
BS1 4AH

## Registered Office

Central Way  
Andover  
Hants  
SP10 5AW

## Directors' Report

The directors present their annual report for the year ended 31 December 2005.

### Principal activities and review of the business

The principal activities of the company during the year was the design, manufacture and distribution of bathroom fittings and accessories.

2005 was a year of particularly difficult trading reflecting the tough trading environment being experienced across all sectors in which we operate. However with good cost control and working capital management the business delivered a respectable operating margin and showed good cash generation. During the year considerable work and investment has been undertaken in new product development initiatives and we will launch an extensive range of new products in early 2006 and this will provide a strong base for our future growth.

### Financial Risk Management

The company uses certain financial instruments to manage the main operating risks it faces. In particular it utilises bank loan and overdraft facilities to manage liquidity and cash flow risks faced. In addition it uses forward foreign currency contracts to manage the foreign currency risk on the purchase of goods from overseas suppliers.

### Results and dividends

The profit for the year, after taxation amounted to £822,000 (2004: profit £3,278,000). No dividends were paid during the year or are proposed.

### Directors and their interests

The directors who served during the year are as shown below.

C F Burrows  
N W Nickson  
S Brown  
S P Marriott-Dodington  
H D Buckle (resigned 30/07/2005)

No director was interested in the shares of the company.

C F Burrows, N W Nickson, S Brown and S P Marriott-Dodington are also directors of the ultimate parent company, Croydex Holdings Limited, and their interests in the shares of that company are disclosed in its accounts.

The company has indemnified one or more directors of the company against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

## Directors' Report

### Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



S. MARRIOTT-DEDINGTON

Director

Date:

10th March 2006

## Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

**to the shareholders of Croydex Limited**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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**

*The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.*

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report**

to the shareholders of Croydex Limited (continued)

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP

Registered Auditor

Southampton

*10 March 2006*

## Profit and Loss Account

For the year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
<b>TURNOVER</b>	<b>2</b>	<b>13,971</b>	<b>17,595</b>
Cost of sales		(7,101)	(8,670)
<b>GROSS PROFIT</b>		<b>6,870</b>	<b>8,925</b>
Net operating expenses		(6,055)	(6,495)
<b>OPERATING PROFIT</b>	<b>3</b>	<b>815</b>	<b>2,430</b>
Fundamental reorganisation costs	14	-	(150)
Interest payable and similar charges	5	(34)	(77)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>781</b>	<b>2,203</b>
Tax on profit on ordinary activities	6	41	1,075
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>822</b>	<b>3,278</b>



## Statement of Total Recognised Gains and Losses

For the year ended 31 December 2005

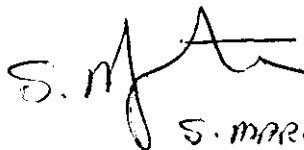
	2005 £'000	2004 £'000
Profit arising in the year	822	3,278
Surplus arising on revaluation of leasehold property	-	194
Total recognised gains and losses in the period	<u>822</u>	<u>3,472</u>

**Balance Sheet**

As at 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	398	432
Tangible assets	8	3,173	3,301
Investments	9	4,569	4,569
		<u>8,140</u>	<u>8,302</u>
<b>CURRENT ASSETS</b>			
Stock	10	1,894	1,921
Debtors- amount falling due within one year	11	3,144	3,928
Debtors- amount falling due after more than one year	11	665	675
Cash at bank and in hand		584	-
		<u>6,287</u>	<u>6,524</u>
CREDITORS: Amounts falling due within one year	12	(2,781)	(3,284)
		<u>3,506</u>	<u>3,240</u>
<b>NET CURRENT ASSETS</b>			
		<u>11,646</u>	<u>11,542</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
CREDITORS: amounts falling due after more than one year	13	(10,222)	(10,672)
PROVISION FOR LIABILITIES AND CHARGES	14	(167)	(435)
		<u>1,257</u>	<u>435</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	5,342	5,342
Revaluation reserve	16	923	923
Profit and loss account	16	(5,008)	(5,830)
		<u>1,257</u>	<u>435</u>
<b>SHAREHOLDERS' FUNDS - EQUITY</b>			
	17	<u>1,257</u>	<u>435</u>

Director



Date:

10th March 2006

S. MARRIOTT-DODINGTON

## Notes to the Accounts

As at 31 December 2005

### 1. Accounting policies

#### Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

There is no material difference between the result disclosed in the profit and loss account, and the result on an unmodified historical cost basis.

In preparing the accounts for the current year, the Group and company has adopted FRS21 'Events after the Balance Sheet Date'. This has not required any revision to the financial statements in either the current or prior year.

#### Preparation of group accounts

The company has taken advantage of the exemption available to it under s228 of the Companies Act 1985 not to prepare group accounts. These accounts therefore present information about the company as an individual undertaking and not about its group.

#### Fixed assets

All fixed assets are initially recorded at cost. Long leasehold properties are revalued on a regular basis in line with the requirements of FRS15, with the last external revaluation carried out in December 2004. The revaluation surplus arising is taken to the revaluation reserve.

#### Depreciation

Depreciation is not provided on freehold land. Depreciation is provided on all fixed assets at rates calculated to write off the cost or revalued amounts, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Long leasehold properties	Period of lease
Plant and machinery	Over 3 to 20 years
Motor vehicles	4 years

#### Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials	-	purchase cost on a first-in, first-out basis, including freight costs.
Work-in-progress and finished goods	-	cost of direct materials and labour, plus attributable overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Pension costs

The company now operates a defined contribution pension scheme for its directors and senior employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The unpaid contribution outstanding at the year end, included in 'Other creditors' (note 12), are £10,022 (2004 - £12,145).

## Notes to the Accounts

As at 31 December 2005

### 1. Accounting policies (continued)

#### Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

#### Leases

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated in accordance with other tangible fixed assets. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### Investments

Fixed asset investments are shown at cost less provision for impairment if events or changes in circumstances indicate the investment value may not be recoverable.

#### Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Monetary liabilities denominated in foreign currencies at the balance sheet date are reported at the forward exchange contract rates. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### Intangible assets – Goodwill

Goodwill arising on the acquisition of unincorporated businesses and companies is capitalised and written off on a straight line basis over its useful economic life of up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate the value may not be recoverable.

#### Cash flow statement

The company has taken advantage of the exemption in FRS1 (revised) as a wholly owned subsidiary undertaking and has not presented a cash flow statement.

## Notes to the Accounts

As at 31 December 2005

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and all relates to one continuing activity, the manufacture and distribution of bathroom fittings and related accessories.

Turnover by geographical market was as follows:

	2005 £'000	2004 £'000
United Kingdom	13,020	16,512
Continental Europe	860	976
Far East	65	80
Other	26	27
	<u>13,971</u>	<u>17,595</u>

### 3. Operating profit

This is stated after charging:

	2005 £'000	2004 £'000
Depreciation of tangible fixed assets		
- owned	199	161
Amortisation of goodwill	34	34
Operating lease rentals		
- Plant & machinery	125	66
- Other	165	221
Auditors' remuneration		
- audit	26	25
- non audit	11	11
Management charge payable to parent undertaking	1,232	1,352
	<u>1,662</u>	<u>1,869</u>

### 4. Staff costs

Particulars of employees (including directors) are as shown below:

	2005 £'000	2004 £'000
Wages and salaries	1,636	1,861
Social security costs	166	179
Regular pension cost	58	56
	<u>1,860</u>	<u>2,096</u>

## Notes to the Accounts

As at 31 December 2005

### 4. Staff costs (continued)

The average number of persons employed by the group during the period was as follows:

	2005 No.	2004 No.
Production	25	28
Administration and sales	47	54
	<u>72</u>	<u>82</u>

Remuneration of the directors is paid by the parent undertaking.

### 5. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank overdrafts	9	8
Other	25	69
	<u>34</u>	<u>77</u>

### 6. Taxation

a) Tax on profit on ordinary activities, the tax charge/(credit) is made up as follows:

	2005 £000	2004 £000
United Kingdom corporation tax at 30% (2004: 30%)	-	-
Current tax (see note 6b)	-	-
Deferred tax (see note 6c)	(41)	(1,075)
	<u>(41)</u>	<u>(1,075)</u>

## Notes to the Accounts

As at 31 December 2005

### 6. Taxation (continued)

#### b) Factors affecting current and future tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are set out below:-

	2005 £000	2004 £000
Profit on ordinary activities before tax	781	2,203
Profit before tax multiplied by standard rate of corporation tax of 30% (2004 – 30%)	234	661
Expenses not deductible for tax purposes	24	65
Depreciation in excess of capital allowances	30	23
Other timing differences	(3)	(636)
Tax losses utilised in the period	(285)	(117)
Capital gains	-	4
Total current tax	-	-

Future tax rates for the company are expected to continue below the standard tax rate mainly due to the carried forward losses that are available for off-set against future taxable profits.

#### c) The deferred tax asset / (provision) is comprised as follows:

	31 Dec 2005 £000	31 Dec 2004 £000
Capital allowance in arrears/(excess) of depreciation charged	930	900
Other timing differences	186	175
Tax losses carried forward	3025	3,305
Total deferred tax asset	4,141	4,380
Less: provision against deferred tax asset	(3025)	(3,305)
Net deferred tax balance included in Debtors (note 11)	1,116	1,075

£665,000 (2004: £675,000) of this net deferred tax asset is expected to fall due after more than one year (see note 10).

## Notes to the Accounts

As at 31 December 2005

### 7. Intangible fixed assets

	<i>Goodwill</i> £'000
Cost as at 1 January 2005 and 31 December 2005	650
Amortisation:	
As at 1 January 2005	218
Charge for the year	34
As at 31 December 2005	252
Net book value:	
At 31 December 2005	398
At 1 January 2005	432
Goodwill, which relates to the acquisition of a number of subsidiary undertakings and related product lines, is being written off in equal annual instalments over its estimated economic life of 20 years.	

### 8. Tangible fixed assets

	<i>Land and buildings</i> £'000	<i>Plant and machinery</i> £'000	<i>Total</i> £'000
Cost or valuation:			
At 1 January 2005	2,465	1,770	4,235
Additions	-	71	71
At 31 December 2005	2,465	1,841	4,306
Depreciation:			
At 1 January 2005	-	934	934
Charge for year	38	161	199
At 31 December 2005	38	1,095	1,133
Net book value:			
As at 31 December 2005	2,427	746	3,173
As at 1 January 2005	2,465	836	3,301



## Notes to the Accounts

As at 31 December 2005

### 8. Tangible fixed assets (continued)

Leased assets included in the above:

	<i>Land and Buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
Net book value: As at 31 December 2005	2,427	-	2,427
At 1 January 2005	2,465	-	2,465

An interim valuation at open market value, with full vacant possession, of the long leasehold property was carried out in December 2004 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Chesterton plc, International Property Consultants and Chartered Surveyors.

Comparable amounts determined according to the historical cost convention:

	<i>Land and Buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
Cost	2,411	1,841	4,252
Accumulated depreciation	(579)	(1,150)	(1,729)
Net book value At 31 December 2005	1,832	691	2,523
At 1 January 2005	1,870	781	2,651

## Notes to the Accounts

As at 31 December 2005

### 9. Investments

Shares in Subsidiary Undertakings:

£'000

Cost at 1 January and 31 December 2005

4,669

Amounts provided at 1 January and 31 December 2005

100

Net book value at 1 January and 31 December 2005

4,569

The wholly owned subsidiaries of Croydex Limited listed below are registered and operate in England and Wales. All of the subsidiary companies are unlisted, dormant and did not trade during the period.

Group accounts have not been prepared in the year in accordance with the exemption provided in Section 228 of the Companies Act 1985.

#### *Subsidiary undertakings of Croydex Limited*

Bacchante Limited	Netherealm Limited
Beekay Design Limited	Quick Release Terminals Limited
Carpenters Workshop Limited	Paintbrush (No. 1) Limited
Check Tools Limited	Paintbrush (No. 2) Limited
Croydex Home Products Limited	Paintbrush (No. 3) Limited
Croydex Group Pension Trust Limited	Regent Mouldings Limited
Croydex Group Pension Investments Limited	Stem Shelving Limited
Croydex Export Limited	Spong Housewares Limited
Lionheart Innovations Limited	Thorpac Limited
Murell Sales Limited	

### 10. Stocks

	2005	2004
	£'000	£'000
Raw materials and consumables	8	88
Work-in-progress	54	30
Finished goods	1,832	1,803
	<u>1,894</u>	<u>1,921</u>

## Notes to the Accounts

As at 31 December 2005

### 11. Debtors

	2005 £'000	2004 £'000
Debtors- amount falling due within one year:		
Trade debtors	2,065	2,783
Amounts owed by subsidiary undertakings	466	466
Other debtors	162	279
Deferred tax (see note 6c)	451	400
	<u>3,144</u>	<u>3,928</u>

	2005 £'000	2004 £'000
Debtors- amount falling due after more than one year:		
Deferred tax (see note 6c)	665	675
	<u>665</u>	<u>675</u>

Trade debtors include £Nil (2004: £145,000) given as security against bank invoice financing arrangements.

### 12. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	-	16
Trade creditors	1,790	1,748
Other creditors	80	298
Other taxation and social security	185	442
Accruals and deferred income	726	780
	<u>2,781</u>	<u>3,284</u>

Bank overdrafts are secured by way of fixed and floating charges over the assets of the company and other group undertakings and are subject to an unlimited multilateral guarantee between the parent company and all of its subsidiary undertakings.

## Notes to the Accounts

As at 31 December 2005

### 13. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Amounts due to parent undertaking	1,866	2,316
Amounts owed to subsidiary undertakings	8,356	8,356
	<u>10,222</u>	<u>10,672</u>

### 14. Provision for liabilities and charges

	Reorgan- isation Provision £'000
At 1 January 2005	435
Payments in the year	(268)
At 31 December 2005	<u>167</u>

The reorganisation provision at 31 December 2005 relates to the company's remaining vacant leasehold properties. The remaining provision balance is expected to be paid or realised within the next year.

### 15. Share capital

At the end of the period the share capital was as follows:

	2005 £'000	2004 £'000
Authorised, allotted called up and fully paid:		
5,341,744 Ordinary shares of £1 each	<u>5,342</u>	<u>5,342</u>

## Notes to the Accounts

As at 31 December 2005

### 16. Reserves

	<i>Revaluation reserve account £'000</i>	<i>Profit and loss/ account £'000</i>	<i>Total £'000</i>
At 1 January 2005	923	(5,830)	(4,907)
Retained profit for the year	-	822	822
At 31 December 2005	<u>923</u>	<u>(5,008)</u>	<u>(4,085)</u>

### 17. Reconciliation of movement in shareholders' funds

	<i>£'000</i>
Opening shareholders' funds at 1 January 2005	435
Retained profit for the year	822
Closing shareholders' funds at 31 December 2005	<u>1,257</u>

### 18. Capital commitments

	<i>2005 £'000</i>	<i>2004 £'000</i>
Contracted for but not provided	-	17

## Notes to the Accounts

As at 31 December 2005

### 19. Guarantees and other financial commitments

a) At 31 December the company had annual lease commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire				
- within 1 year	-	85	1	3
- within 2-5 years	-	-	106	110
- after 5 years	30	135	-	-
	<u>30</u>	<u>220</u>	<u>107</u>	<u>113</u>

b) At 31 December the group had issued a number of guarantees during the ordinary course of business.

As disclosed in the directors report the group uses forward foreign currency contracts to manage the currency risk on the purchases of goods from overseas suppliers. At 31 December 2005, the fair value of open forward foreign currency contracts was an unrealised gain of £161,000 (2004: unrealised loss of £307,000).

### 20. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Croydex Holdings Limited, a company registered in England and Wales.

The largest and smallest group of which Croydex Limited is a member and for which group accounts are prepared is Croydex Holdings Limited. Copies of these accounts can be obtained from its registered office, Central Way, Andover, Hants SP10 5AW.

### 21. Related parties

The company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose transactions with fellow group undertakings.