

Aqualisa Finance Limited
Annual report and financial statements
for the year ended 31 December 2010

Registered number 05221543



Aqualisa Finance Limited

Annual report and financial statements for the year ended 31 December 2010

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Aqualisa Finance Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of Aqualisa Finance Limited for the year ended 31 December 2010

Business review and principal activities

The company's principal activity is that of a holding company, and to provide finance for the trading companies within the Aqualisa Group, Aqualisa Products Limited and Gainsborough Bathroom Products Limited. The group's principal activity is, and will continue to be, the manufacture and distribution of shower systems and accessories.

Results and dividends

The results for the company show a loss after taxation of £2,902,000 (2009 £2,667,000). The directors are unable to propose the payment of a dividend (2009 £nil).

Future outlook

The external commercial environment for the trading companies within the Aqualisa Group is expected to remain highly competitive in 2011 with the effects of the lack of credit and depressed house prices in the UK continuing to affect the level of turnover and margins in the company's trading subsidiaries. However, the group will be launching new mixer shower ranges early in 2011, which, together with increased investment in sales and marketing is expected to generate additional profits.

In February 2011, CBPE (General Partner) Limited, the company's ultimate parent acquired the outstanding mezzanine debt from the existing lenders Royal Bank of Scotland plc and Lloyds TSB Bank plc. As part of the arrangement, the existing mezzanine debt and all obligations connected with the debt have been transferred to Aqualisa Group Limited, the company's parent. The loan was transferred at the outstanding value including accrued interest shown in the company's books as at 3rd February 2011.

Principal risks and uncertainties

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

The key business risks affecting the company 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 business exposes it to interest rate, and through its subsidiaries, to currency exchange rate and commodity price risks. Bank loan interest rates are priced at fixed rates over LIBOR, while the company's subsidiaries source a number of key components that are purchased in US\$ or Euros. The existing interest rate swaps expired at the end of 2010 and the company has elected not to renew them at present as the bank loans to which they would relate are due to be refinanced within the next 12 months.

Aqualisa Finance Limited

Directors' report for the year ended 31 December 2010 (continued)

The company's subsidiaries have a policy of hedging their exposure to US\$ and Euro currency fluctuations and have forward currency contracts in place through to September 2011 covering 50% of the forecast US\$ expenditure and for euros through to June 2011 covering approximately 30% of the forecast Euro currency requirement. Exposure to unhedged currency or commodity price risk is managed as part of the group's subsidiaries' product pricing strategies which are reviewed quarterly.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

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.

S P Dexter
G E Letman

Small companies' exemption

The Directors' report has been prepared in accordance with the small companies regime of the Companies Act 2006.

Statement of directors' responsibilities

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 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,
- 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.

Aqualisa Finance Limited

Directors' report for the year ended 31 December 2010 (continued)

and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

The directors confirm so far as each director is as at the date of signing of this report 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

Going concern

The financial statements have been prepared on the going concern basis as Aqualisa Finance Limited has entered into an upstream inter-company loan agreement with its subsidiary Aqualisa Products Limited whereby Aqualisa Products Limited has agreed to provide a revolving credit facility of up to £100m to meet the obligations of Aqualisa Finance Limited as they fall due. The directors consider that Aqualisa Products Limited will generate sufficient cash flows to ensure Aqualisa Finance Limited meets its obligations as they fall due.

The Group's main banking facility is due to end on December 2013 and bullet point repayments of c£7.5m each are due on June 2012, December 2012, June 2013 and December 2013. The Group will therefore need to negotiate new facilities by June 2012. The Group directors will be arranging to meet with existing and potential new lenders during the second half of 2011 to discuss the refinancing of the outstanding bank debt. The directors have reviewed the projections through to June 2012 and believe that the forecast net debt at that time will be within normal commercial business lending parameters. The directors therefore consider that the facilities will be renewed or replaced prior to the first bullet repayment in June 2012.

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
19 May 2011

Aqualisa Finance Limited

Independent auditors' report to the members of Aqualisa Finance Limited

We have audited the financial statements of Aqualisa Finance Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on pages 2 and 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 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.

Scope of the audit of the financial statements

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.

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 31 December 2010 and of its loss 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.

Aqualisa Finance Limited

Independent auditors' report to the members of Aqualisa Finance Limited

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's ability to continue as a going concern. Based on the group's latest cash flow forecasts, the group's bank loans will need to be refinanced before the first instalment of the Tranche B debt of £7,500,000 is due to be repaid at the end of June 2012. As indicated in Note 1, the directors will be approaching potential lenders in the second half of 2011. While the directors are confident that these approaches will result in a satisfactory outcome, the current situation indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

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
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

9 June 2011

Aqualisa Finance Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Selling and distribution costs		-	-
Administrative expenses – other		(74)	(60)
Operating loss		(74)	(60)
Interest payable and similar charges	4	(4,166)	(3,871)
Loss on ordinary activities before taxation	5	(4,240)	(3,931)
Tax on loss on ordinary activities	6	1,338	1,264
Loss for the financial year	15	(2,902)	(2,667)

All amounts relate to continuing operations

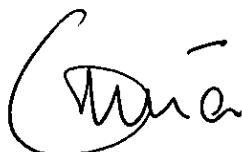
The company has no recognised gains or losses other than those disclosed in the loss above and therefore no separate statement of total recognised gains and losses has been presented

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

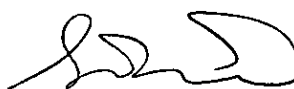
Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	7	68,671	68,671
Current assets			
Debtors	9	2,759	3,693
Cash at bank and in hand		56	28
		2,815	3,721
Creditors, amounts falling due within one year	10	(35,790)	(33,917)
Net current liabilities		(32,975)	(30,196)
Total assets less current liabilities		35,696	38,475
Creditors, amounts falling due after more than one year	11	(71,736)	(71,613)
Net liabilities		(36,040)	(33,138)
Capital and reserves			
Called up share capital	14	1,500	1,500
Profit and loss account	15	(37,540)	(34,638)
Total shareholders' deficit	16	(36,040)	(33,138)

The financial statements which comprise the profit and loss account, the balance sheet and the related notes were approved by the board on 19 May 2011 and signed on its behalf by



G E Letman
Director



S P Dexter
Director

Notes to the financial statements for the year ended 31 December 2010

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 in accordance with the historical cost convention.

Going concern

Aqualisa Finance Limited has entered into an upstream inter-company loan agreement with its subsidiary Aqualisa Products Limited whereby Aqualisa Products Limited has agreed to provide a revolving credit facility of up to £100m to meet the obligations of Aqualisa Finance Limited as they fall due.

The Group's main banking facility is due to end on December 2013 and bullet point repayments of c£7.5m each are due on June 2012, December 2012, June 2013 and December 2013. The Group will therefore need to negotiate new facilities by June 2012. The directors will be arranging to meet with existing and potential new lenders during the second half of 2011 to discuss the refinancing of the outstanding bank debt. The directors have reviewed the projections through to June 2012 and believe that the forecast net debt at that time will be within normal commercial business lending parameters. The directors therefore consider that the facilities will be renewed or replaced prior to the first bullet repayment in June 2012.

Basis of consolidation

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts 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 Group Limited and its financial statements are included in the consolidated financial statements of Aqualisa Group 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).

Related party transactions

The company is a wholly owned subsidiary of Aqualisa Group 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.

Notes to the financial statements for the year ended 31 December 2010 (continued)

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.

Debt issue costs

Debt instruments are recognised within the balance sheet at an amount equivalent to the net proceeds of issue. The costs of the issue of debt instruments such as bank loans and loan stock are charged to the profit and loss account on a straight line basis over the life of the instrument.

Investments

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

2 Directors' remuneration

The directors received no remuneration from the company in respect of their services during the period (2009 nil). The remuneration of the directors from other group companies is disclosed in the accounts of Aqualisa Group Limited.

3 Employee information

The company had no employees during the period other than the two directors.

4 Interest payable and similar charges

	2010	2009
	£'000	£'000
Interest payable on bank loans and overdrafts	3,558	3,334
Interest payable on inter-company loans	399	335
Amortisation of issue costs on bank loans (note 12)	209	202
	4,166	3,871

**Notes to the financial statements for the year ended 31
December 2010 (continued)**

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
Auditors' remuneration		
- audit services	4	4
- non-audit services	-	-

6 Tax on loss on ordinary activities

(a) Analysis of credit in the period

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on losses of the period	-	-
Amount receivable from a fellow subsidiary in respect of tax saved by group relief	(1,338)	(1,264)
Total current tax (note 6b)	(1,338)	(1,264)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax (note 13)	-	-
Tax on loss on ordinary activities	(1,338)	(1,264)

Notes to the financial statements for the year ended 31 December 2010 (continued)**6 Tax on loss on ordinary activities (continued)****(b) Factors affecting tax credit for the period**

The tax credit for the period is different than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(4,240)	(3,931)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(1,187)	(1,101)
Effects of		
Transfer pricing adjustment	(155)	(163)
Expenses not deductible for tax purposes	4	-
Current tax for the period (note 6a)	(1,338)	(1,264)

A number of changes to UK Corporation tax were announced in the June 2010 Budget Statement and 2011 Budget. The main rate of corporation tax will reduce from 28% to 26% from 1st April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. UK deferred tax balances have therefore been revalued to 27% at the year end as this is the rate based on legislation substantively enacted at the balance sheet date. The additional proposed reductions in the rate of UK corporation tax to 23% by 1 April 2014 had not been substantively enacted at the balance sheet date and therefore have not been included within these financial statements.

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At 1 January 2010 and at 31 December 2010	87,013
Provisions	
At 1 January 2010 and at 31 December 2010	(18,342)
Net book value	
At 31 December 2010	68,671
At 31 December 2009	68,671

The directors consider the value of the investments to be supported by the underlying assets of those investments

8 Interests in group undertakings

The following are the company's principal wholly owned subsidiary undertakings

Name of undertaking	Country of incorporation	Description of shares held
Aqualisa Products Limited	England	£1 ordinary shares
Gainsborough Bathroom Products Limited	England	£1 ordinary shares

The principal activity of Aqualisa Products Limited and Gainsborough Bathroom Products Limited is the manufacture and distribution of shower systems

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Debtors

	2010	2009
	£'000	£'000
Due within one year		
Due from group undertakings	2,756	3,690
Prepayments and accrued income	3	3
	2,759	3,693

Amounts due from group undertakings are unsecured, interest free and due on demand

10 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Bank loans (note 12)	4,679	2,711
Unamortised issue costs	(208)	(208)
	4,471	2,503
Amounts due to group undertakings	31,312	31,140
Accruals and deferred income	7	4
	35,790	33,917

The amounts due to group undertakings are balances due to the company's parent Aqualisa Group Limited and are unsecured, interest free and due on demand

Notes to the financial statements for the year ended 31 December 2010 (continued)**11 Creditors: amounts falling due after more than one year**

	2010	2009
	£'000	£'000
Bank loans and overdrafts (note 12)	34,471	40,516
Unamortised issue costs	(292)	(501)
	34,179	40,015
Amounts due to group undertakings	37,557	31,598
	71,736	71,613

The amount due to group undertakings of £37,557,000 (2009 £31,598,000) has been provided by Aqualisa Products Limited under an upstream loan agreement which attracts interest at 1% over base rate on any amounts loaned and is due for repayment in 2013

12 Loans

The bank borrowings disclosed above are repayable as follows

	2010	2009
	£'000	£'000
In one year or less or on demand	4,679	2,711
Between one and two years	15,000	4,621
Between two and five years	19,471	35,895
Unamortised issue costs	(500)	(709)
	38,650	42,518

The bank loans and overdrafts are secured by first, fixed and floating charges over all the assets of the company. The bank loans are in sterling and attract interest at LIBOR plus fixed rates that vary from 3.25% to 14.5%.

Issue costs of £1,594,000 were netted off the loan balances on issue in accordance with Financial Reporting Standard No. 4 and are being expensed on a straight line basis over the weighted average life of the loans. The remaining costs to be amortised in respect of bank loans total £500,000 (2009 £709,000). The charge in respect of amortisation of these costs is included in note 4. The loan balances are comprised of the initial loan amounts drawn down and accrued interest of £1,729,000 (2009 £985,000).

Notes to the financial statements for the year ended 31 December 2010 (continued)

12 Loans (continued)

The repayment profile of the bank loans is as follows

Bank loans as at 31 December 2010	£39,150,000
Repayable 2011	£ 4,679,000
Repayable 2012	£15,000,000
Repayable 2013	£14,302,000
Repayable 2014	£ 5,169,000

The amounts are repayable in equal instalments on 30 June and 31 December in each year

The loans will need to be refinanced when the first instalment of the Tranche B debt of £7,500,000 is due to be repaid at the end of June 2012. The directors will be arranging to meet with existing and potential new lenders during the second half of 2011 to discuss the refinancing of the outstanding bank debt.

On 3 February 2011, the company's ultimate parent CBPE (General Partner) Limited acquired the mezzanine debt shown above as repayable in 2014. As a consequence of this, the debt was transferred to the company's parent Aqualisa Group Limited and replaced by an unsecured, interest free inter-company loan repayable on demand.

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Deferred taxation

	2010
	£'000
Opening deferred tax balance	-
Credit/(charge) for the period	-
Closing deferred tax balance	-

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

	Amount recognised		Amount unrecognised	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of				
Losses carried forwards	-	-	253	262

The deferred tax asset of £253,000 (2009 £262,000) has not been recognised in the period due to uncertainty over the availability of future taxable profits against which this asset could be utilised

14 Share capital

	2010	2009
	£'000	£'000
Authorised		
1,500,000 Ordinary shares £1 each	1,500	1,500
Allotted, called up and fully paid		
1,500,000 Ordinary shares £1 each	1,500	1,500

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Reserves

	Profit and loss account £'000
At 1 January 2010	(34,638)
Loss for the financial year	(2,902)
At 31 December 2010	(37,540)

16 Reconciliation of movements in total shareholders' deficit

	2010 £'000	2009 £'000
Opening shareholders' deficit	(33,138)	(30,471)
Loss for the financial year	(2,902)	(2,667)
Shareholders' deficit at 31 December	(36,040)	(33,138)

17 Ultimate parent undertaking

The whole of the company's allotted share capital is held by Aqualisa Group Limited, a company incorporated in Great Britain, which is regarded by the directors as the immediate and ultimate parent company

The results of the company are consolidated into the results of Aqualisa Group 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 Group Limited, The Flyer's Way, Westerham, Kent, TN16 1DE

The Directors consider CBPE (General Partner) Limited, incorporated in the UK, and acting as the general partner of Close Brothers Private Equity (UK) Fund VI, Close Brothers Private Equity (US) Fund VI and Close Brothers Private Equity Fund VII to be the company's ultimate controlling party