

Aqualisa Finance Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered number 05221543

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Aqualisa Finance Limited

Annual report and financial statements for the year ended 31 December 2009

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Aqualisa Finance Limited

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of Aqualisa Finance Limited for the year ended 31 December 2009

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. 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 £2,667,000 (2008: £21,604,000). The directors are unable to propose the payment of a dividend (2008: £nil).

Future outlook

The external commercial environment for the trading companies within the Aqualisa Group is expected to remain highly competitive in 2010 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 products and ranges during 2010 which, along with the new products launched into the USA during 2009, are expected to improve upon the group's current level of performance in the future.

In January 2010, in order to make best use of surplus cash balances built up by its subsidiary companies, the company made an early repayment of £0.5m of the Tranche B and £1.7m of the Tranche C bank loans. £1.2m was received from Aqualisa Products Limited under the upstream loan agreement and £1.0m from Gainsborough Bathroom Products Limited as a partial repayment of the outstanding inter-group loan in order to fund the early repayment.

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 company has reduced its exposure to changes in LIBOR by entering into interest rate swaps on approximately 75% of its outstanding bank loans at a fixed rate of 3.7% through to December 2010.

Aqualisa Finance Limited

Directors' report for the year ended 31 December 2009 (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 November 2010 covering 100% of the US\$ requirement and approximately 20% of the forecast Euro requirement. Exposure to unhedged currency or commodity price risk is managed as part of the company'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
H T Rawlinson

Appointed 15 May 2009
Resigned 31 July 2009

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 elected to prepare 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 2009 (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.

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
17 June 2010

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 2009 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 2009 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.

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.

Aqualisa Finance Limited

Independent auditors' report to the members of Aqualisa Finance Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Rosemary Shapland

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

17 June 2010

Aqualisa Finance Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Selling and distribution costs		-	-
Administrative expenses – other		(60)	(482)
Administrative expenses – impairment in Investments		-	(18,342)
Operating loss		(60)	(18,824)
Interest receivable and similar income		-	6
Interest payable and similar charges	4	(3,871)	(5,236)
Loss on ordinary activities before taxation	5	(3,931)	(24,054)
Tax on loss on ordinary activities	6	1,264	2,450
Loss for the financial year	15	(2,667)	(21,604)

All amounts relate to continuing operations

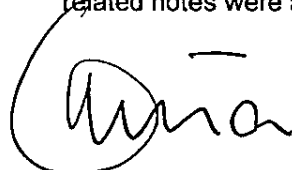
The company has no recognised gains or losses other than those disclosed in the loss above and therefore no separate statement of total recognised gains and losses has been presented

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 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	7	68,671	68,671
Current assets			
Debtors	9	3,693	741
Cash at bank and in hand		28	163
		3,721	904
Creditors' amounts falling due within one year	10	(33,917)	(30,548)
Net current liabilities		(30,196)	(29,644)
Total assets less current liabilities		38,475	39,027
Creditors' amounts falling due after more than one year	11	(71,613)	(69,498)
Net liabilities		(33,138)	(30,471)
Capital and reserves			
Called up share capital	14	1,500	1,500
Profit and loss account	15	(34,638)	(31,971)
Total shareholders' deficit	16	(33,138)	(30,471)

The financial statements which comprise the profit and loss account, the balance sheet and the related notes were approved by the board on 17 June 2010 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 2009

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 directors consider that Aqualisa Products Limited will generate sufficient cash flows to ensure Aqualisa Finance Limited meets its obligations as they fall due.

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 2009 (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 (2008: 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 three directors.

4 Interest payable and similar charges

	2009	2008
	£'000	£'000
Bank loans and overdrafts	3,334	4,056
Interest payable on inter-company loans	335	990
Amortisation of issue costs on bank loans (note 12)	202	190
	3,871	5,236

Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging

	2009	2008
	£'000	£'000
Auditors' remuneration		
- audit services	4	4
- non-audit services	-	-
Impairment of investments in Subsidiaries	-	18,342

6 Tax on loss on ordinary activities

(a) Analysis of credit in the period

	2009	2008
	£'000	£'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	(1,264)	(2,150)
Amount receivable from a fellow subsidiary in respect of tax saved by group relief in respect of previous periods	-	(300)
Total current tax (note 6b)	(1,264)	(2,450)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax (note 13)	-	-
Tax on loss on ordinary activities	(1,264)	(2,450)

Notes to the financial statements for the year ended 31 December 2009 (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% (2008 28.5%). The differences are explained below

	2009	2008
	£'000	£'000
Loss on ordinary activities before tax	(3,931)	(24,054)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(1,101)	(6,856)
Effects of		
Transfer pricing adjustment	(163)	(522)
Impairment in Investments	-	5,228
Amount receivable from a fellow subsidiary in respect of tax saved by group relief in respect of previous periods	-	(300)
Current tax for the period (note 6a)	(1,264)	(2,450)

The future effective rate of taxation is expected to be impacted by items similar to those in the reconciliation above

**Notes to the financial statements for the year ended 31
December 2009 (continued)**

7 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At 1 January 2009 and 31 December 2009	87,013
Provisions	
At 1 January 2009	(18,342)
Impairment charge for year	-
At 31 December 2009	(18,342)
Net book value	
At 31 December 2009	68,671
At 31 December 2008	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 2009 (continued)

9 Debtors

	2009	2008
	£'000	£'000
Due within one year		
Due from group undertakings	3,690	738
Prepayments and accrued income	3	3
	3,693	741

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

10 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Bank loans (note 12)	2,711	6,067
Unamortised issue costs	(208)	(190)
	2,503	5,877
Amounts due to group undertakings	31,410	24,248
Accruals and deferred income	4	423
	33,917	30,548

The amounts due to group undertakings are unsecured, interest free and due on demand

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Bank loans and overdrafts (note 12)	40,516	42,542
Unamortised issue costs	(501)	(721)
	40,015	41,821
Amounts due to group undertakings	31,598	27,677
	71,613	69,498

The amount due to group undertakings of £31,598,000 (2008 £27,677,000) 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 borrowings disclosed above are repayable as follows

	2009 £'000	2008 £'000
In one year or less or on demand	2,711	6,067
Between one and two years	4,621	2,621
Between two and five years	35,895	35,621
In more than five years	-	4,300
Unamortised issue costs	(709)	(911)
	42,518	47,698

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 £709,000 (2008 £911,000). 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 £985,000 (2008 £319,000).

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Loans (continued)

On 25 January 2010, the company made an early repayment of £0.5m of the Tranche B and £1.7m of the Tranche C bank loans. The company received £1.2m from its subsidiary Aqualisa Products Limited under the upstream loan agreement and £1.0m from its subsidiary Gainsborough Bathroom Products Limited being a partial repayment of the outstanding inter-group balance.

Following the repayment, the repayment profile of the bank loans is as follows:

Bank loans as at 31 December 2009	£43,227,000
Repayments 1 January 2009 to 25 January 2010	£ 2,290,000
Bank loans at 25 January 2010	£40,937,000
Repayable 2010	£ 2,621,000
Repayable 2011	£ 4,621,000
Repayable 2012	£15,000,000
Repayable 2013	£14,016,000
Repayable 2014	£ 4,679,000

The interest rates on the loans are at LIBOR plus fixed rates that vary from 3.25% to 14.5%.

In February 2009, as part of the interest rate management strategy, the company revised its interest rate swap agreements covering the period from January 2009 to December 2010. The company pays fixed rates on the swaps and receives LIBOR as follows:

January 2009 to March 2009	£34,500,000	Fixed Rate 4.4%
April 2009 to June 2009	£31,250,000	Fixed Rate 3.7%
July 2009 to December 2010	£31,000,000	Fixed Rate 3.7%

Notes to the financial statements for the year ended 31 December 2009 (continued)

13 Deferred taxation

	2009 £'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	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of				
Losses carried forwards	-	-	262	262

The deferred tax asset of £262,000 (2008 £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

	2009 £'000	2008 £'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 2009 (continued)**15 Reserves**

	Profit and loss account £'000
At 1 January 2009	(31,971)
Loss for the financial year	(2,667)
At 31 December 2009	(34,638)

16 Reconciliation of movements in total shareholders' deficit

	2009 £'000	2008 £'000
Opening shareholders' deficit	(30,471)	(8,867)
Loss for the financial year	(2,667)	(21,604)
Shareholders' deficit at 31 December	(33,138)	(30,471)

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