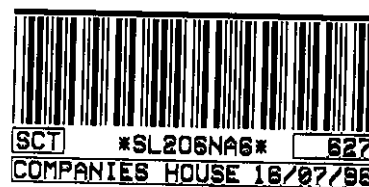


Carron Phoenix Limited
Financial statements

For the year ended 31 December 1995

Company Number SC 108168

DS



Carron Phoenix Limited

Directors' report and financial statements

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Carron Phoenix Limited

DIRECTORS:

Mr R Clark
Dr W Wieland
Dr BW Stauch

SECRETARY AND REGISTERED OFFICE:

I King
Carron Works
Stenhouse Road
Carron
Falkirk FK2 8DW

AUDITORS:

KPMG
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

SOLICITORS:

Dundas & Wilson CS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

BANKERS:

Bank of Scotland
43 Vicar Street
Falkirk FK1 1LN

Carron Phoenix Limited

Directors' report

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 1995.

Activities

The principal activities of the company are the manufacture and sale of sinks.

Financial

The profit for the year, after taxation, amounted to £2,547,000 (*1994 - profit £62,000*).

The directors recommend that no dividend be paid (*1994 £Nil*).

Directors

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

Dr W Wieland
Dr B Stauch
Mr R Clark

None of the directors held a beneficial interest in the shares of the company.

Statement of directors' responsibilities

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 profit and loss of the company 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;
- 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 company 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 company and hence for taking steps for the prevention and detection of fraud and other irregularities.

Carron Phoenix Limited

Directors' report continued

Fixed assets

Information relating to changes in fixed assets is given in note 8 to the financial statements.

Employee involvement

The company attaches importance to the involvement of employees in its affairs and believes that all employees should be informed regularly by their own managers on company performance. Many business units use team briefing programmes and employees' views are sought on key issues.

Employment of disabled persons

It is the policy of the company that disabled persons will receive full and fair consideration when applying for a job within the company and in selection for training, career development and promotion.

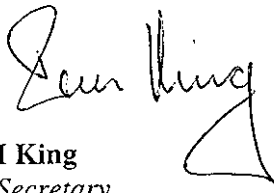
Health and safety

It is the company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of its employees, customers or members of the public who may be affected by its operations.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


I King
Secretary

1 March 1996



Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Auditors' report to the members of Carron Phoenix Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

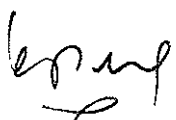
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditors

1 March 1996

Carron Phoenix Limited

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £000	1994 £000
Turnover	2	22,953	18,791
Cost of sales		(17,883)	(14,957)
Gross profit		5,070	3,834
Distribution costs		(579)	(625)
Administrative expenses			
- Ordinary	(2,683)	(2,133)	
- Exceptional write off of debts owed to/(by) fellow subsidiaries	966	(722)	
		(1,717)	(2,855)
Operating profit	3-5	2,774	354
Interest receivable	6	50	8
Interest payable and similar charges	6	(277)	(300)
Profit on ordinary activities before taxation		2,547	62
Taxation	7	-	-
Retained profit for the year		2,547	62

A statement of movements on reserves is given in note 15.

Other than the profit for the financial year, there were no other recognised gains or losses.

The operating profit relates entirely to continuing activities.

Carron Phoenix Limited

Balance sheet at 31 December 1995

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	8	7,261	5,464
Current assets			
Stocks	9	1,712	1,873
Debtors	10	4,377	4,488
Cash at bank and in hand		1,674	1,836
		<u>7,763</u>	<u>8,197</u>
Creditors: amounts falling due within one year	11	<u>(6,220)</u>	<u>(6,440)</u>
Net current assets		<u>1,543</u>	<u>1,757</u>
Total assets less current liabilities		<u>8,804</u>	<u>7,221</u>
Creditors: amounts falling due after more than one year	11	<u>(1,849)</u>	<u>(2,582)</u>
Accruals and deferred income	13	<u>(463)</u>	<u>(694)</u>
		<u>6,492</u>	<u>3,945</u>
Capital and reserves			
Called up share capital	14	6,000	6,000
Profit and loss account	15	492	(2,055)
		<u>6,492</u>	<u>3,945</u>

The financial statements were approved by the Board of Directors on 1 March 1996, and signed on its behalf by:

R Clark
Director



Carron Phoenix Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

Depreciation

Depreciation is provided by the company to write off the cost or valuation of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	20 years
Plant, machinery and equipment	2 to 10 years
Motor vehicles: Commercial vehicles	5 years
Motor cars	3 years

No depreciation is provided on freehold land, or assets in the course of construction.

Government grants

Government grants in respect of capital projects are credited to trading profit over the estimated useful economic lives of the assets to which they relate. The grants shown in the balance sheet consist of the total grants received and receivable to date less amounts so far credited to profits. Revenue grants received and receivable are credited to the profit and loss account in the year to which they relate.

Stocks

Stocks are valued at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made, using the liability method, if in the opinion of the directors a liability will arise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or at the forward exchange contract rate. Assets and liabilities denominated in foreign currencies are translated into sterling at the year end rate of exchange and exchange differences arising are taken to reserves.

Leases

Assets acquired under finance leases are capitalised and depreciated over their useful economic lives. Outstanding obligations under the leases net of finance charges are included as a liability. Operating lease costs are charged to the profit and loss account as incurred.

Pensions

The amount charged against profits represents the contributions payable to the company's defined contribution pension schemes in respect of the accounting year.

Carron Phoenix Limited

Notes (continued)

2 Turnover

Turnover is shown excluding VAT and represents sales of sinks and accessories.

	1995 £000	1994 £000
The geographical markets are as follows:		
Great Britain	8,260	7,956
Overseas	14,693	10,835
	<u>22,953</u>	<u>18,791</u>

Information in respect of profit by geographical market has not been given because, in the opinion of the directors, such disclosure would be prejudicial to the interests of the company.

3 Operating profit

	1995 £000	1994 £000
<i>Operating profit is stated after charging</i>		
Depreciation of leased tangible fixed assets	33	124
Depreciation of other tangible fixed assets	1,525	1,350
Hire of vehicles under operating leases	63	51
Rent of buildings under operating leases	42	39
Hire of plant and machinery	46	33
Auditors' remuneration: Audit	28	22
Other services	6	28
	<u>231</u>	<u>206</u>
<i>and after crediting</i>		
Government grants	231	206
	<u>231</u>	<u>206</u>

4 Employee numbers and costs

	Number of employees	
	1995	1994
<i>Average number of employees by activity</i>		
Production	259	220
Distribution	1	1
Sales and administration	61	58
	<u>321</u>	<u>279</u>

Carron Phoenix Limited

Notes (continued)

	1995 £000	1994 £000
<i>Employee costs</i>		
Wages and salaries	5,199	4,432
Social security costs	489	405
Other pension costs	183	146
	<u>5,871</u>	<u>4,983</u>

5 Directors' emoluments

	1995 £000	1994 £000
Directors' emoluments (including pension contributions)	<u>106</u>	<u>138</u>

The emoluments, excluding pension contributions, of the chairman were £Nil (1994 - £Nil). The emoluments, excluding pension contributions, of the highest paid director were £98,444 (1994 - £121,989).

The number of directors whose emoluments, excluding pension contributions, fell in each £5,000 band was as follows:

	1995 Number	1994 Number
£0 - £5,000	2	2
£15,001 - £20,000	-	1
£95,001 - £100,000	1	-
£120,001 - £125,000	-	1
	<u>2</u>	<u>4</u>

6 Interest

	1995 £000	1994 £000
Bank interest receivable	<u>50</u>	<u>8</u>
Interest payable on bank overdrafts	221	199
Finance lease charges	11	24
Group interest payable to group undertakings	45	77
	<u>277</u>	<u>300</u>

7 Taxation

No charge to corporation tax liability arises as a result of available tax losses.

Carron Phoenix Limited

Notes (continued)

8 Tangible fixed assets

	Freehold Land and buildings £000	Office equipment £000	Plant machinery and equipment £000	Leased plant machinery and equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
<i>Cost</i>							
At start of year	661	189	10,197	1,256	38	525	12,866
Additions	-	-	1,106	-	17	1,694	2,817
Transfers	1,169	-	419	-	11	(419)	1,180
Disposals	-	-	(159)	-	(8)	-	(167)
At end of year	1,830	189	11,563	1,256	58	1,800	16,696
<i>Depreciation</i>							
At start of year	103	113	5,937	1,223	26	-	7,402
Transfers	496	-	-	-	11	-	507
Disposals	-	-	(24)	-	(8)	-	(32)
Charge for year	92	30	1,390	33	13	-	1,558
At end of year	691	143	7,303	1,256	42	-	9,435
<i>Net book amount</i>							
At 31 December 1995	1,139	46	4,260	-	16	1,800	7,261
At 31 December 1994	558	76	4,260	33	12	525	5,464

Included in the total net book value of motor vehicles is £Nil (1994 - £12,647) in respect of assets held under hire purchase contracts. Depreciation in respect of these assets was £12,647.

9 Stocks

	1995 £000	1994 £000
Raw materials and consumables	649	771
Work in progress	766	830
Finished goods and goods for resale	297	272
	1,712	1,873

The directors are of the opinion that the replacement cost of stocks would not be materially different from the above.

Carron Phoenix Limited

Notes (continued)

10	Debtors	1995	1994
		£000	£000
	Trade debtors	2,858	2,966
	Amounts owed by group undertakings	1,121	1,052
	Amounts recoverable for group relief	185	185
	Other taxes recoverable	18	98
	Prepayments and other debtors	195	187
		<hr/>	<hr/>
		4,377	4,488
		<hr/>	<hr/>
11	Creditors: amounts falling due within one year	1995	1994
		£000	£000
	Trade creditors	2,539	3,256
	Other tax and social security	162	173
	Other creditors and accruals	1,955	1,477
	Finance lease creditor	2	28
	Loan due to parent undertaking	-	1,268
	Due to group undertakings	562	238
	Bank loan	1,000	-
		<hr/>	<hr/>
		6,220	6,440
		<hr/>	<hr/>
	Amounts falling due after more than one year		
	Due to group undertakings	849	580
	Finance lease creditor	-	2
	Bank loan	1,000	2,000
		<hr/>	<hr/>
		1,849	2,582
		<hr/>	<hr/>

All creditors are repayable within five years.

The bank loan is secured by a floating charge over all the company's assets.

£928,729 of the stock is stated to be subject to reservation of title (1994 - £691,598) in favour of creditors included above.

Carron Phoenix Limited

Notes (continued)

12 Operating leases

	Other operating leases £000	Total 1995 £000	1994 £000
The amounts payable under operating leases in the coming year are	56	56	81
These can be analysed as follows			
Payable in respect of leases which expire within one year	2	2	11
Payable in respect of leases which expire between two and five years	54	54	31
Payable in respect of leases which expire outwith five years	-	-	39
	56	56	81

13 Accruals and deferred income

	1995 £000	1994 £000
<i>Government grants</i>		
At start of year	694	136
Received during year	-	764
Credited to profit and loss account	(231)	(206)
At end of year	463	694

14 Share capital

	1995 £'000	1994 £'000
Authorised Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid Ordinary shares of £1 each	6,000	6,000

Carron Phoenix Limited

Notes (continued)

15	Reserves	1995	1994
		£000	£000
	<i>Profit and loss account</i>		
	At start of year	(2,055)	(2,117)
	Profit for the year	2,547	62
		<hr/>	<hr/>
	At end of year	492	(2,055)
		<hr/>	<hr/>
16	Reconciliation of movements in shareholders' funds	1995	1994
		£000	£000
	Increase in share capital	-	1,500
	Profit for the financial year	2,547	62
		<hr/>	<hr/>
	Net increase in shareholders' funds	2,547	1,562
	Opening shareholders' funds	3,945	2,383
		<hr/>	<hr/>
	Closing shareholders' funds	6,492	3,945
		<hr/>	<hr/>
17	Capital commitments	1995	1994
		£000	£000
	Contracted but not provided	154	832
		<hr/>	<hr/>
	Authorised but not contracted	543	1,456
		<hr/>	<hr/>
18	Guarantees		
	The company has given a guarantee covering all sums due by Franke UK Holding Limited and certain UK subsidiary undertakings to the Bank of Scotland, and has granted a right of offset against any amount owed by any of these group companies to the Bank. The group and company bank overdrafts are secured in favour of the Bank of Scotland by way of a floating charge.		
19	Pension costs		
	The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £183,322 (1994 - £146,806).		
	Contributions amounting to £Nil (1994 £20,857) are payable to the fund and are included in creditors.		

Carron Phoenix Limited

Notes *(continued)*

20 **Parent undertakings**

The company is a wholly owned subsidiary undertaking of Franke UK Holding Ltd which is registered in Scotland.

Copies of the Franke UK Holding Limited group accounts, which incorporate the results of the company, are available from:

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

The directors of the company consider Franke Holding AG, a private Swiss company, to be the company's ultimate parent undertaking.

Copies of Franke Holding AG group accounts, which incorporate the results of the Franke UK Holding Limited group, are not available to the public.