Company Registration No. 928322 (England and Wales)

MARFLOW ENGINEERING LIMITED

ABBREVIATED ACCOUNTS

FOR THE PERIOD ENDED 28 FEBRUARY 2004



MARFLOW ENGINEERING LIMITED

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MARFLOW ENGINEERING LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2004

The directors present their report and financial statements for the period ended 28 February 2004.

Principal activities and review of the business
The principal activity of the company was that of designing, producing and marketing showers, mixers, taps and accessories.

Results and dividends
The results for the period are set out on page 3.

Market value of land and buildings
In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts.

Directors
The following directors have held office since 1 March 2003:

P R Fennell
D J Stone

Directors' interests
The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	28 February 2004	1 March 2003
P R Fennell	42,500	42,500
D J Stone	42,500	42,500

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that CK Audit be reappointed as auditors of the company will be put to the Annual General Meeting.

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 or 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;
-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 reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

P R Fennell
Director
3 September 2004

MARFLOW ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT TO MARFLOW ENGINEERING LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 3 to 16, together with the financial statements of the company for the period ended 28 February 2004 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company's members, as a body, in accordance with Section 247B 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 auditor's 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 preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of audit opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 3 to 16 are properly prepared in accordance with that provision.

CK Audit

CK Audit

Chartered Accountants
Registered Auditor

3 September 2004

Dartmouth House
Sandwell Road
West Bromwich
West Midlands
B70 8TH

MARFLOW ENGINEERING LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 28 FEBRUARY 2004

	Notes	2004 £	2003 £
Gross profit		1,362,343	1,704,071
Administrative expenses		(1,361,631)	(1,582,308)
Operating profit	2	712	121,763
Other interest receivable and similar income		70	1,507
Interest payable and similar charges	4	(23,116)	(25,070)
(Loss)/profit on ordinary activities before taxation		(22,334)	98,200
Tax on (loss)/profit on ordinary activities	5	1,809	(20,436)
(Loss)/profit on ordinary activities after taxation	15	(20,525)	77,764

MARFLOW ENGINEERING LIMITED

ABBREVIATED BALANCE SHEET
AS AT 28 FEBRUARY 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	6		801,144		738,632
Investments	7		50		50
			801,194		738,682
Current assets					
Stocks	8	662,432		843,331	
Debtors	9	595,599		611,371	
Cash at bank and in hand		26,903		72,819	
		1,284,934		1,527,521	
Creditors: amounts falling due within one year	10	(897,451)		(1,023,048)	
Net current assets			387,483		504,473
Total assets less current liabilities			1,188,677		1,243,155
Creditors: amounts falling due after more than one year	11		(283,112)		(317,177)
Provisions for liabilities and charges	12		(5,326)		(5,214)
			900,239		920,764
Capital and reserves					
Called up share capital	14		85,000		85,000
Other reserves	15		3,221		3,221
Profit and loss account	15		812,018		832,543
Shareholders' funds - equity interests	16		900,239		920,764

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 3 September 2004

P R Fennell
Director

MARFLOW ENGINEERING LIMITED

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 FEBRUARY 2004

	2004		2003	
	£	£	£	£
Net cash inflow from operating activities		75,379		215,550
Returns on investments and servicing of finance				
Interest received	70		1,507	
Interest paid	(4,522)		(4,283)	
Net cash outflow for returns on investments and servicing of finance		(4,452)		(2,776)
Taxation		(19,392)		(31,368)
Capital expenditure				
Payments to acquire tangible assets	(90,088)		(30,224)	
Receipts from sales of tangible assets	-		5,600	
Net cash outflow for capital expenditure		(90,088)		(24,624)
Net cash (outflow)/inflow before management of liquid resources and financing		(38,553)		156,782
Financing				
Issue of ordinary share capital	-		2,000	
Purchase of own shares	-		(2,000)	
New long term bank loan	45,000		-	
Repayment of long term bank loan	-		(53,300)	
Capital element of hire purchase contracts	(11,563)		(15,328)	
Decrease in debt	(7,363)		(68,628)	
Net cash outflow from financing		(7,363)		(68,628)
(Decrease)/increase in cash in the period		(45,916)		88,154

MARFLOW ENGINEERING LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD ENDED 28 FEBRUARY 2004

1 Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	712	121,763
Depreciation of tangible assets	27,576	33,206
Loss on disposal of tangible assets	-	6,049
Decrease/(increase) in stocks	180,899	(37,918)
Decrease in debtors	17,687	30,219
(Decrease)/Increase in creditors within one year	(151,495)	62,231
Net cash inflow from operating activities	75,379	215,550

2 Analysis of net debt

	1 March 2003	Cash flow	Other non-cash changes	28 February 2004
	£	£	£	£
Net cash:				
Cash at bank and in hand	72,819	(45,916)	-	26,903
Debt:				
Finance leases	(25,665)	11,563	-	(14,102)
Debts falling due within one year	(65,300)	(27,000)	-	(92,300)
Debts falling due after one year	(303,075)	22,800	-	(280,275)
	(394,040)	7,363	-	(386,677)
Net debt	(321,221)	(38,553)	-	(359,774)

3 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
(Decrease)/increase in cash in the period	(45,916)	88,154
Cash outflow from decrease in debt and lease financing	7,363	68,628
Change in net debt resulting from cash flows	(38,553)	156,782
New finance lease	-	(28,752)
Movement in net debt in the period	(38,553)	128,030
Opening net debt	(321,221)	(449,251)
Closing net debt	(359,774)	(321,221)

MARFLOW ENGINEERING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

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1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	nil
Plant and machinery	15% straight line
Fixtures, fittings & equipment	33 1/3% straight line
Motor vehicles	25% reducing balance

No depreciation is provided in respect of freehold buildings as the directors are of the opinion that their useful economic lives and estimated residual values are such that any element of depreciation is not material.

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with FRS17.

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

2 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	27,576	33,206
Loss on disposal of tangible assets	-	6,049
Auditors' remuneration	4,000	4,000

3 Investment income

	2004	2003
	£	£
Bank interest	70	1,507

4 Interest payable

	2004	2003
	£	£
On bank loans and overdrafts	18,594	20,787
On loans repayable after five years	3,190	3,294
Hire purchase interest	1,332	989
	23,116	25,070

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

5 Taxation	2004 £	2003 £
Domestic current year tax		
U.K. corporation tax	(1,915)	19,398
Adjustment for prior years	(6)	-
Current tax charge	(1,921)	19,398
Deferred tax		
Deferred tax charge/credit current year	112	1,038
	(1,809)	20,436
Factors affecting the tax charge for the period		
(Loss)/profit on ordinary activities before taxation	(22,334)	98,200
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.08% (2003: 19.08%)	(4,261)	18,737
Effects of:		
Non deductible expenses	2,460	1,908
Depreciation add back	5,261	7,490
Capital allowances	(5,374)	(8,742)
Other tax adjustments	(7)	5
	2,340	661
Current tax charge	(1,921)	19,398

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

6 **Tangible fixed assets**

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 March 2003	630,272	152,613	64,873	52,986	900,744
Additions	70,123	8,775	11,190	-	90,088
At 28 February 2004	700,395	161,388	76,063	52,986	990,832
Depreciation					
At 1 March 2003	-	89,546	53,386	19,180	162,112
Charge for the period	-	10,503	8,621	8,452	27,576
At 28 February 2004	-	100,049	62,007	27,632	189,688
Net book value					
At 28 February 2004	700,395	61,339	14,056	25,354	801,144
At 28 February 2003	630,272	63,067	11,487	33,806	738,632

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles
	£
Net book values	
At 28 February 2004	22,257
At 28 February 2003	29,677
Depreciation charge for the period	
At 28 February 2004	7,420
At 28 February 2003	9,893

7 **Fixed asset investments**

	Shares in participating interests £
Cost	
At 1 March 2003 & at 28 February 2004	50

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
-			0
Participating interests			
Marflow International Limited	England	Ordinary	50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2004 £	Profit for the year 2004 £
	-	-

8 **Stocks**

	2004 £	2003 £
Finished goods and goods for resale	662,432	843,331

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

9 Debtors	2004 £	2003 £
Trade debtors	482,415	510,739
Amounts owed by participating interests	55,446	72,934
Corporation tax	1,915	-
Other debtors	3,000	3,000
Prepayments and accrued income	52,823	24,698
	595,599	611,371

Included in trade debtors are £492,411 (2003 £568,047) of debts which are subject to an invoice discounting agreement with Alex Lawrie Limited. Amounts advanced against these debts are included in creditors due within one year.

10 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	68,300	53,300
Net obligations under hire purchase contracts	11,265	11,563
Trade creditors	317,753	412,255
Corporation tax	-	19,398
Other taxes and social security costs	101,046	128,138
Directors' current accounts	38,436	9,856
Other creditors	349,086	372,362
Accruals and deferred income	11,565	16,176
	897,451	1,023,048
Debt due in one year or less	92,300	65,300

Bank borrowings are secured by a fixed charges over freehold and leasehold properties,over life insurance policies covering the lives of the directors, and over book debts and a floating charge over all other assets. The advances from Alex Lawrie Factors Limited of £325,086 (2003 £299,965) included in other creditors are secured by a guarantee from the company,a mortgage debenture and the factoring agreement.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

11 Creditors: amounts falling due after more than one year	2004 £	2003 £
Bank loans	246,275	257,075
Other loans	34,000	46,000
Net obligations under hire purchase contracts	2,837	14,102
	283,112	317,177
Analysis of loans		
Not wholly repayable within five years by instalments:		
Bank business loan repayable in equal monthly instalments by 2011	182,000	208,000
Wholly repayable within five years	190,575	160,375
	372,575	368,375
Included in current liabilities	(92,300)	(65,300)
	280,275	303,075
Instalments not due within five years	52,000	78,000
Loan maturity analysis		
In more than one year but not more than two years	80,300	65,300
In more than two years but not more than five years	147,975	159,775
In more than five years	52,000	78,000
Net obligations under hire purchase contracts		
Repayable within one year	11,265	11,563
Repayable between one and five years	2,837	14,102
	14,102	25,665
Included in liabilities falling due within one year	(11,265)	(11,563)
	2,837	14,102

12 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 March 2003	5,214
Profit and loss account	112
Balance at 28 February 2004	5,326

The deferred tax liability is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	5,326	5,214

13 Pension costs

Defined contribution
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2004 £	2003 £
Contributions payable by the company for the period	42,097	187,049

14 Share capital

	2004 £	2003 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
85,000 Ordinary shares of £1 each	85,000	85,000

In February 2003 the share capital of the company was re-organised.The previous authorised and issued preference share capital of 2,000 £1 shares was converted to ordinary share capital of 2,000 £1 shares. A bonus issue of 23,011 ordinary £1 shares was also made.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

15 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 March 2003	3,221	832,543
Loss for the period	-	(20,525)
Balance at 28 February 2004	3,221	812,018

Other reserves
Capital redemption reserve

Balance at 1 March 2003 & at 28 February 2004	3,221

16 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
(Loss)/Profit for the financial period	(20,525)	77,764
Proceeds from issue of shares	-	2,000
Purchase of own shares	-	(2,000)
Opening shareholders' funds	920,764	843,000
Closing shareholders' funds	900,239	920,764

17 Directors' emoluments

	2004 £	2003 £
Emoluments for qualifying services	147,686	223,940
Company pension contributions to money purchase schemes	17,946	162,946
	165,632	386,886

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2003- 2).

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 28 FEBRUARY 2004

18 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2004 Number	2003 Number
Directors	2	2
Staff	21	19
Works	19	23
	42	44

Employment costs

	£	£
Wages and salaries	725,090	792,004
Social security costs	66,178	63,336
Other pension costs	42,097	187,049
	833,365	1,042,389

19 Related party transactions

The company traded on normal commercial terms with Marflow Engineering SA cc, a company incorporated in South Africa. Sales during the year amounted to £16,850 and the amount due from the company at the balance sheet date was £20.

The company traded on normal commercial terms with Marflow International Limited, a company in which it held a participating interest. Sales during the year amounted to £396,750, management charges of £25,000 were received, and the amount due from the company at the balance sheet date was £55,446.