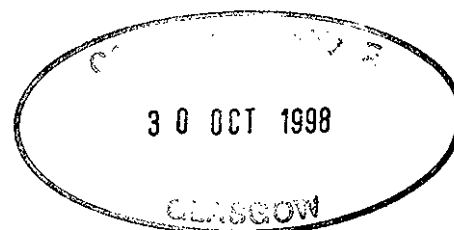


Registered  
**Moores  
Rowland**

COPY FOR THE RECORD OF THE COMPANY  
COMPANY NO. SC 138807

**BARRHEAD SANITARY WARE LIMITED**  
**REPORT AND ACCOUNTS**  
Year ended 28 March 1998





BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 28 March 1998

CONTENTS	Page
Directors, officers and advisers	1
Directors' report	2
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes on the accounts	8

BARRHEAD SANITARY WARE LIMITED

DIRECTORS, OFFICERS AND ADVISERS

Directors

K G Durose  
I L Hay  
A D Plenderleith

Secretary

I L Hay

Registered office

Wright Johnston & Mackenzie  
302 St Vincent Street  
Glasgow  
G2 5RZ

Auditors

Moore Rowland  
Allan House  
25 Bothwell Street  
Glasgow  
G2 6NL

Solicitors

Wright Johnston & Mackenzie  
302 St Vincent Street  
Glasgow  
G2 5RZ

Bankers

The Royal Bank of Scotland plc  
Renfrewshire Commercial Centre  
1 Moncrieff Street  
Paisley  
PA3 2AW

# BARRHEAD SANITARY WARE LIMITED

## Directors

K G Durose  
I L Hay  
A D Plenderleith

## Secretary and registered office

I L Hay, 302 St Vincent Street, Glasgow, G2 5RZ

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 28 March 1998.

### 1. Directors' responsibilities

Company law requires the directors to prepare accounts 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 its financial year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### 2. Principal activities and business review

The principal activities of the company are the manufacture and sale of vitreous china sanitaryware and related products throughout the British Isles.

On 21 July 1997 the company's status changed from being a public limited company to a private company and accordingly its name changed to Barrhead Sanitary Ware Limited.

On 9 October 1997 the company was acquired by Carrickbeach Limited, a company established by the management team to acquire the company from Baxi Partnership Limited. Carrickbeach Limited subsequently changed its name to Barrhead International Limited on 21 October 1997, and remains the ultimate parent undertaking.

On 9 October 1997 the company entered into an agreement with Baxi Partnership Limited to defer payment of amounts advanced, with the first repayment of £34,000 being payable by 30 September 1999. The company entered a factoring arrangement with Royal Bank Invoice Finance Limited to provide working capital.

The /

## BARRHEAD SANITARY WARE LIMITED

## DIRECTORS' REPORT

## 2. Principal activities and business review

The loss for the year reflects a marked improvement with the majority of the shortfall (93%) occurring pre-buyout.

The strategy set on acquisition of challenging all costs and aggressively re-positioning the business through the introduction of a new corporate identity, sales literature and improved product has had a positive effect on trading and profitability.

As a result of the set strategy, for the seven months to October 1998, the order intake and sales were significantly higher than those of the same period in 1997/98 with a small trading profit being recorded compared to a major loss in the previous year.

## 3. Results and dividends

The results for the year are set out in the profit and loss account on page 5.

The loss for the financial year after tax and the finance cost of non equity shares amounted to £313,000 (1997: £393,000). The directors are unable to recommend the payment of a dividend for the year and recommend the loss for the financial year be applied against reserves.

## 4. Directors

Mr B M Gray and Mr T C Campbell resigned as directors on 9 October 1997. Mr I L Hay and Mr A D Plenderleith were appointed directors on 9 October 1997. None of the directors held interests in the share capital of the company at the beginning or at the end of the year, or at any time during the year.

The interests of the directors in the shares of Barrhead International Limited, the ultimate parent company, are disclosed in the accounts of that company.

## 5. Creditors payment policy

It is the company's policy to pay creditors when they fall due for payment. The number of days purchases outstanding at the end of the financial year was 74 (1997:88).

## 6. Year 2000

The company is addressing the Year 2000 problem, and the implications for its technology systems and those of its customers and suppliers. A team has been established to address this issue and to ensure the continued smooth running of the company's operations.

## 7. Auditors

Following the resignation of KPMG, the directors appointed Moores Rowland as auditors. Moores Rowland have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



I L HAY  
Secretary

30/10/98

BARRHEAD SANITARY WARE LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF BARRHEAD SANITARY WARE LIMITED

We have audited the accounts on pages 5 to 19.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 28 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Moore & Rowland*  
MOORES ROWLAND

Chartered Accountants  
Registered Auditors

Allan House  
25 Bothwell Street  
Glasgow G2 6NL

*30 October 1998*

## BARRHEAD SANITARY WARE LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 28 MARCH 1998

	Note	1998 £000	1997 £000
TURNOVER	2	2,950	2,680
Cost of sales		<u>2,044</u>	<u>1,881</u>
GROSS PROFIT		906	799
Administrative expenses		<u>1,104</u>	<u>1,011</u>
OPERATING LOSS		(198)	(212)
Interest payable and similar charges	3	<u>91</u>	<u>157</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	6	(289)	(369)
Finance costs of non-equity shares		<u>(24)</u>	<u>(24)</u>
TRANSFER FROM RESERVES	16, 17	<u>(313)</u>	<u>(393)</u>

All disclosures relate only to continuing operations

There are no recognised gains or losses other than the loss for the year.

The notes on pages 8 to 19 form part of these accounts.



## BARRHEAD SANITARY WARE LIMITED

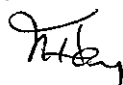
## BALANCE SHEET

28 MARCH 1998

	Note	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Intangible assets	9	56	216
Tangible assets	10	1,043	1,047
		<u>1,099</u>	<u>1,263</u>
<b>CURRENT ASSETS</b>			
Stocks	11	388	354
Debtors	12	735	646
Cash at bank and in hand		26	20
		<u>1,149</u>	<u>1,020</u>
CREDITORS: amounts falling due within one year	13	863	871
NET CURRENT ASSETS		<u>286</u>	<u>149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,385</u>	<u>1,412</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
DEFERRED INCOME	14	2,217	1,906
Government grants		305	354
		<u>2,522</u>	<u>2,260</u>
NET LIABILITIES		<u>(1,137)</u>	<u>(848)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity	15	543	543
- non equity	15	325	325
Profit and loss account	16	(2,005)	(1,716)
DEFICIT ON SHAREHOLDERS' FUNDS	17	<u>(1,137)</u>	<u>(848)</u>
Comprising :			
Equity		(1,584)	(1,271)
Non-equity		447	423
		<u>(1,137)</u>	<u>(848)</u>

The accounts on pages 5 to 19 were approved by the board of directors on 30/10/98 and signed on its behalf by:

I L HAY  
Director



The notes on pages 8 to 19 form part of these accounts.

## BARRHEAD SANITARY WARE LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 28 MARCH 1998

		1998	1997
		£000	£000
Net cash inflow (outflow) from operating activities	18	69	(210)
Returns on investment and servicing of finance	19	(91)	(157)
Capital expenditure	19	<u>(76)</u>	<u>(161)</u>
Cash outflow before financing		(98)	(528)
Financing	19	<u>104</u>	<u>559</u>
Increase in cash in the year	20	<u>6</u>	<u>31</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		6	31
Cash outflow from finance lease financing		<u>3</u>	<u>3</u>
Change in net debt resulting from cash flows		9	34
Additional loan received		<u>(107)</u>	<u>(562)</u>
Movement in net debt in the year		(98)	(528)
Net debt at 30 March 1997		<u>(2,054)</u>	<u>(1,526)</u>
Net debt at 28 March 1998	20	<u>(2,152)</u>	<u>(2054)</u>

The notes on pages 8 to 19 form part of these accounts.

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 1. Principal accounting policies

## (i) Accounting convention

The accounts are prepared under the historical cost convention, on a going concern basis (see note 24) and in accordance with applicable accounting standards.

## (ii) Turnover

Turnover is computed as the value, excluding value added tax, of goods and services despatched and invoiced during the year.

## (iii) Fixed assets and depreciation

Fixed assets are stated at cost without deduction of government grants. Depreciation is provided at rates calculated to write off the cost of the assets over their expected useful lives on a straight line basis as follows:

Short leasehold improvements	-	the shorter of 20 years or the lease duration
Plant and machinery	-	10 to 15 years
Fixtures and fittings and equipment	-	5 to 7 years
Motor vehicles	-	4 years

## (iv) Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit and loss account over the estimated effective lives of the assets concerned.

Grants of a revenue nature are credited to income in the year to which they relate.

## (v) Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

## (vi) /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 1. Principal accounting policies (cont'd)

## (vi) Stocks and work in progress

Stocks and work in progress are valued at the lower of actual cost and net realisable value. Cost is defined as expenditure incurred in bringing the stock to its present location and condition, and includes direct labour and material costs, together with those production overheads which are allocated to specific products.

Net realisable value is the amount that items of stock and work in progress are expected to realise without creating either profit or loss in the year of sale.

## (vii) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for the future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the leases.

## (viii) Research and development

Expenditure on research and development is written off in the year in which it is incurred. However, where in the opinion of the directors, expenditure is specifically incurred on the development of products which, with regard to their technical feasibility and commercial viability, have a reasonable expectation of specific commercial success and future benefit, the expenditure is deferred to be matched against the anticipated future revenues derived from the developed products. Such deferred expenditure is included within intangible assets.

## (ix) Intangible fixed assets

Intangible fixed assets represent deferred development expenditure and the costs of acquiring the company's trade marks and capitalised professional fees. The expected lives of each class of intangible fixed assets are as follows:

Deferred development expenditure -	10 to 15 years
Trade marks	- 5 years
Capitalised professional fees	- 3 years

## (x) /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 1. Principal accounting policies (cont'd)

## (x) Taxation

The charge for taxation is based on the profit 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 is made for taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

Amounts claimed or surrendered by way of group relief are transferred at a consideration dependent upon the circumstances of each transfer.

## 2. Turnover

The company engages in only one class of business.

The geographical analysis of turnover is as follows:

	1998	1997
	£000	£000
United Kingdom	2,856	2,680
Republic of Ireland	69	-
Middle East	25	-
	<u>2,950</u>	<u>2,680</u>

## 3. Interest payable and similar charges

Loan interest on group loans	80	157
Other interest	11	-
	<u>91</u>	<u>157</u>

## 4. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

4.	Staff numbers and cost	1998 Number	1997 Number
	The average number of persons employed by the company during the year, was as follows:		
	Production	57	52
	Sales and administration	12	18
		<u>69</u>	<u>70</u>
		1998 £000	1997 £000
	Staff costs comprise:		
	Wages and salaries	896	869
	Social security costs	80	85
	Pension costs	3	6
		<u>979</u>	<u>960</u>
5.	Directors' remuneration		
	Directors' emoluments were £60,996.		
	Contributions to money purchase schemes in relation to directors' pensions were £446.		
	Three directors are accruing retirement benefits under money purchase schemes.		
6.	Loss on ordinary activities before taxation		
	Loss on ordinary activities before taxation is stated after charging or (crediting) the following:		
	Depreciation (note 10)	200	189
	Amortisation of intangible assets	37	39
	Loss (gain) on sale of fixed assets	3	(7)
	Auditors' remuneration		
	- audit	4	8
	Operating lease rentals:		
	- plant and machinery	6	8
	Government grants credit	<u>(49)</u>	<u>(48)</u>

7. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 7. Taxation

Cumulative tax losses, including capital allowances, in excess of £790,000 (1997: £790,000) have been computed as being available to be carried forward for utilisation against future taxable profits. These tax losses have not been recognised in these accounts.

The tax losses for the current year are available to be surrendered as group relief.

## 8. Dividends

Under the terms of the preference share subscription agreements and in view of the absence of distributable reserves, no preference dividends are payable. Cumulative dividends accrued but not recognised in these accounts amount to £122,000 (1997: £98,000).

## 9. Intangible fixed assets

	Trade marks £000	Capitalised professional fees £000	Deferred development expenditure £000	Total £000
Cost				
At 30 March 1997	4	56	235	295
Reclassification as plant and machinery (note 10)	-	-	(170)	(170)
Other reclassification	-	(4)	4	-
Additions	-	-	12	12
	<u>4</u>	<u>52</u>	<u>81</u>	<u>137</u>
At 28 March 1998	4	52	81	137
Depreciation				
At 30 March 1997	2	27	50	79
Reclassification as plant and machinery (note 10)	-	-	(35)	(35)
Other reclassification	2	(18)	16	-
Charge for year	-	18	19	37
	<u>4</u>	<u>27</u>	<u>50</u>	<u>81</u>
At 28 March 1998	4	27	50	81
Net book value				
At 28 March 1998	-	25	31	56
	<u>-</u>	<u>25</u>	<u>31</u>	<u>56</u>
At 29 March 1997	2	29	185	216
	<u>2</u>	<u>29</u>	<u>185</u>	<u>216</u>

## 10. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 10. Tangible fixed assets

	Short leasehold improvements £000	Plant and machinery £000	Fixtures fittings and equipment £000	Motor vehicles £000	Total £000
Cost					
At 30 March 1997	252	1,324	42	39	1,657
Reclassification from development expenditure (note 9)	-	170	-	-	170
Additions	-	66	1	4	71
Disposals	-	-	-	(43)	(43)
At 28 March 1998	<u>252</u>	<u>1,560</u>	<u>43</u>	<u>-</u>	<u>1,855</u>
Depreciation					
At 30 March 1997	43	512	26	29	610
Reclassification from development expenditure (note 9)	-	35	-	-	35
Charge for year	13	174	9	4	200
Disposals	-	-	-	(33)	(33)
At 28 March 1998	<u>56</u>	<u>721</u>	<u>35</u>	<u>-</u>	<u>812</u>
Net book value					
At 28 March 1998	<u>196</u>	<u>839</u>	<u>8</u>	<u>-</u>	<u>1,043</u>
At 29 March 1997	<u>209</u>	<u>812</u>	<u>16</u>	<u>10</u>	<u>1,047</u>

Included in the net book value of plant and machinery is £Nil (1997: £3,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged in the year on those assets amounted to £Nil (1997: £4,000).

11. Stocks	1998 £000	1997 £000
Raw materials and consumables	71	70
Work in progress	77	37
Finished goods and goods for resale	240	247
	<u>388</u>	<u>354</u>

12. /



## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

	1998 £000	1997 £000
12. Debtors		
Trade debtors - factored	694	622
Other debtors	22	-
Prepayments and accrued income	19	24
	<u>735</u>	<u>646</u>
13 Creditors: amounts falling due within one year		
Current instalments due under loans	6	-
Trade creditors	414	453
Amounts owed to parent and fellow subsidiary undertakings	-	165
Other taxation and social security	75	86
Obligations under finance lease and hire purchase contracts	-	3
Accruals and deferred income	125	164
Other creditors	243	-
	<u>863</u>	<u>871</u>
Other creditors, which represent the balance of the Factor's current account, are secured over the company's debtor book.		
14. Creditors: amounts falling due after more than one year		
Due to parent and fellow subsidiary undertakings	45	1,906
Loans	2,172	-
	<u>2,217</u>	<u>1,906</u>
Loans:		
Amounts falling due within one year	6	-
Between one and two years	54	-
Between two and five years	166	-
In five years or more	1,997	1,906
	<u>2,223</u>	<u>1,906</u>
Included within amounts due within one year	6	-
	<u>2,217</u>	<u>1,906</u>
Included above:		
Loan not repayable by instalments and falling due after five years	<u>1,897</u>	<u>1,906</u>

As /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 14. Creditors: amounts falling due after more than one year (cont'd)

As at 28 March 1998 subordinated guaranteed unsecured loan stock 1997 amounting to £1,852,006 is due to Baxi Partnership Limited, the company's former parent undertaking. This loan is repayable under the following terms:

(a) One half of any taxation saved by the company in utilising tax losses which arose to 9 October 1997 shall be repaid;

(b) One third of net profits over £250,000 in any financial year shall be repaid.

The loan has been classified as long term because the timing of these repayments is not certain.

In the event of default interest at 15% per annum is payable.

	1998 £000	1997 £000
Loan repayable by instalments some of which are due after five years (secured)	300	-

This loan is repayable in instalments as follows:

30 September 1999	34	-
30 September 2000	33	-
30 September 2001	33	-
30 September 2002	100	-
30 September 2004	100	-
	300	-

No interest is payable other than in the event of default when interest at 15% per annum is payable.

This loan is secured by a bond and floating charge over the company's assets.

## 15. Share capital

Authorised		
500,000 Ordinary Voting Shares of £1 each	500	500
1,500,000 Ordinary Non-Voting Shares of £1 each	1,500	1,500
1,000,000 7.5% Redeemable Preference Shares of £1 each	1,000	1,000
	3,000	3,000

Allotted, called up and fully paid:

106,000 Ordinary Voting Shares of £1 each (equity)	106	106
437,100 Ordinary Non-Voting Shares of £1 each (equity)	437	437
	543	543
325,000 Redeemable Preference Shares of £1 each (non-equity)	325	325
	868	868

Under .../

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 15. Share capital (cont'd)

Under the terms of the preference share subscription agreements, the company are liable to pay a cumulative preferential net dividend on the preference shares of 7.5 pence per annum per share. The dividends are payable half yearly on 30 April and 31 October in each year, ranking in priority to any dividend paid on any other class of shares. The entitlement of the preference shareholders is however subject to the limitation that dividends paid shall not exceed 49.9% of the income of the company available for distribution.

The cumulative redeemable preference shares are due to be redeemed in four equal tranches at par value (together with all arrears and accruals of dividend) on each of the following dates:

31 January 1998  
 31 July 1998  
 31 January 1999  
 31 July 1999

If, on any of these dates, the Company cannot comply with the requirements of the Act relating to redemption, the shares will be redeemed on the first date the company is able to comply.

The company has the option to redeem the preference shares at par, at any time. The preference shareholders also have the option to convert their preference shares into ordinary, non-voting shares at any time.

On a winding up the surplus assets of the company shall be applied as follows:

- (a) In paying to the holders of the Preference shares £1 per share together with any arrears or accruals of the Preference Dividend
- (b) The balance of the surplus assets shall be distributed equally amongst the holders of the Voting Shares and the Non-Voting Shares in proportion to the number of shares held and pro-rata to the capital paid up thereon.

The Non-Voting Shares have no voting rights except in relation to the declaration of an Ordinary dividend, a winding up or a variation of their class rights.

The Preference Shareholders can vote on certain matters if their dividend is in arrears or their shares have not been redeemed when due for redemption.

16. Profit and loss account	1998 £000	1997 £000
At 30 March 1997	(1,716)	(1,347)
Loss for the year	(313)	(393)
Finance costs of non equity shares	24	24
At 28 March 1998	<u>(2,005)</u>	<u>(1,716)</u>

17. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

17. Reconciliation of movements in shareholders' funds	1998 £000	1997 £000
Deficit on shareholders' funds at beginning of the year	(848)	(479)
Loss for the financial year for equity shareholders	(313)	(393)
Appropriation from equity to non-equity interests included therein	<u>24</u>	<u>24</u>
Deficit on shareholder funds at end of year	<u>(1,137)</u>	<u>(848)</u>
18. Reconciliation of operating loss to net cash inflow (outflow)		
Operating loss	(198)	(212)
Depreciation of tangible fixed assets	200	189
Amortisation of intangible fixed assets	37	39
Loss (gain) on disposal of fixed assets	3	(7)
Increase in stocks	(34)	(96)
Increase in debtors	(89)	(41)
Increase (decrease) in creditors	199	(34)
Government grants release	(49)	(48)
Net cash inflow (outflow) from operating activities	<u>69</u>	<u>(210)</u>
19. Analysis of cash flows		
Returns on investment and servicing of finance:		
Interest received	1	-
Interest paid	(92)	(157)
	<u>(91)</u>	<u>(157)</u>
Capital expenditure:		
Payments to acquire fixed assets	(83)	(171)
Disposals of fixed assets	7	10
	<u>(76)</u>	<u>(161)</u>
Financing:		
Capital element of finance lease repayments	(3)	(3)
Loans received	107	562
	<u>104</u>	<u>559</u>

20. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 20. Analysis of changes in net debt

	At 30 March 1997	Cash Flows	Other Changes	At 28 March 1998
	£000	£000	£000	£000
Cash at bank and in hand	20	6	-	26
Debt due within one year	(165)	-	165	-
Debt due after one year	(1,906)	-	(272)	(2,178)
Finance lease	(3)	3	-	-
	<u>(2,054)</u>	<u>9</u>	<u>(107)</u>	<u>(2,152)</u>

## 21. Financial liabilities

Details of the company's contingent liability under the terms of the preference share subscription agreements is given in note 8.

## 22. Financial commitments

At the end of the financial year the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
within one year	-	-	-	3
in the second to fifth years inclusive	-	56	-	-
in over five years	<u>70</u>	<u>-</u>	<u>70</u>	<u>-</u>

23./

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 28 March 1998

## 23. Related party transactions

Mr P Bickley a senior member of the management team of the company provided management services, on an arm's length basis, to Barrhead Sanitary Ware Limited during the year ended 28 March 1998.

	£'000
Services and expenses invoiced by Mr P Bickley	18
Services and expenses invoiced by P & A Associates (controlled by Mr P Bickley)	50
	<hr/>
	68
	<hr/>
Due to P & A Associates at 28 March 1998	14
	<hr/>

## 24. Going concern

The directors are aware that the company had a net asset deficiency at 31 March 1998.

On 9 October 1997 the company entered into an agreement with Baxi Partnership Limited to defer payment of amounts advanced, with the first repayment of £34,000 being payable by 30 September 1999. The company entered a factoring arrangement with Royal Bank Invoice Finance Limited to provide working capital. The directors consider that the company's working capital should be adequate for its foreseeable needs.

The loss for the year reflects a marked improvement with the majority of the shortfall occurring prior to the acquisition of the company by Barrhead International Limited.

The strategy set on acquisition of challenging all costs and aggressively re-positioning the business through the introduction of a new corporate identity, sales literature and improved product has had a positive effect on trading and profitability.

As a result of the set strategy, for the seven months to October 1998 the company's unaudited management accounts show that the order intake and sales were significantly higher than those of the same period in 1997/98 with a small trading profit being recorded compared to a major loss in the previous year.

The directors consider that in preparing the accounts they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the accounts on a going concern basis.

## 25. Ultimate parent undertaking

The company was until 9 October 1997 a subsidiary of Baxi Partnership Limited. On 9 October 1997 the company became a subsidiary of Barrhead International Limited.