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BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 30 March 2002

Number : SC 138807



BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 30 March 2002

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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

Scott-Moncrieff  
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 30 March 2002.

### 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.

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 products continues to have a positive effect on trading.

### 3. Results and dividends

The results for the year are set out in the profit and loss account on page 6.

The loss for the financial year after tax amounted to £47,000 (2001: profit £11,000). The directors are unable to recommend the payment of a dividend for the year.

4./

# BARRHEAD SANITARY WARE LIMITED

## DIRECTORS' REPORT

### 4. Post balance sheet events

On 20 December 2002 1,769,906 subordinated guaranteed unsecured loan stock due to Baxi Partnership Limited was transferred to the company's parent undertaking for a consideration of shares and loan notes in Barrhead International Limited. This loan stock was then capitalised into ordinary shares in the company. A pro-forma balance sheet is included in the financial statements at note 27 to show the effect of the reconstruction.

### 5. Directors

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.

### 6. Auditors

A resolution to re-appoint Scott-Moncrieff Chartered Accountants as auditors will be put to the members at the annual general meeting.

By order of the Board



I L HAY  
Secretary

15 January 2003

**BARRHEAD SANITARY WARE LIMITED****INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF BARRHEAD SANITARY WARE LIMITED**

We have audited the financial statements of Barrhead Sanitary Ware Limited for the year ended 30 March 2002 as set out on pages 6 to 23. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 10 to 12.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Auditing Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of Opinion**

We conducted our audit in accordance with United Kingdom 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.

BARRHEAD SANITARY WARE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARRHEAD SANITARY WARE LIMITED

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SCOTT-MONCRIEFF

Chartered Accountants  
Registered Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

15 January 2003

## BARRHEAD SANITARY WARE LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 MARCH 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	3,767	3,745
Cost of sales		<u>2,869</u>	<u>2,777</u>
GROSS PROFIT		898	968
Administrative expenses		<u>911</u>	<u>946</u>
OPERATING (LOSS)/PROFIT		(13)	22
Interest payable and similar charges	3	<u>34</u>	<u>11</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(47)	11
Tax on (loss) profit on ordinary activities	7	<u>-</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(47)	11
Appropriation: Finance costs of non-equity shares		<u>24</u>	<u>24</u>
TRANSFER FROM RESERVES	17,18	<u>(71)</u>	<u>(13)</u>

All disclosures relate only to continuing operations

The notes on pages 10 to 23 form part of these accounts.



## BARRHEAD SANITARY WARE LIMITED

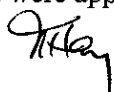
## BALANCE SHEET

30 MARCH 2002

	Note	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	1,367	796
<b>CURRENT ASSETS</b>			
Stocks	10	519	539
Debtors	11	1,001	1,015
Cash at bank and in hand		15	19
		<u>1,535</u>	<u>1,573</u>
<b>CREDITORS: amounts falling due within one year</b>	12	1,321	1,210
<b>NET CURRENT ASSETS</b>		<u>214</u>	<u>363</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,581</u>	<u>1,159</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	2,382	2,018
<b>DEFERRED INCOME</b>			
Government grants		110	158
		<u>2,492</u>	<u>2,176</u>
<b>NET LIABILITIES</b>		<u>(911)</u>	<u>(1,017)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity	15	543	543
- non equity	15	325	325
Revaluation reserve	16	153	-
Profit and loss account	17	(1,932)	(1,885)
<b>DEFICIT ON SHAREHOLDERS' FUNDS</b>	18	<u>(911)</u>	<u>(1,017)</u>
Comprising :			
Equity		(1,454)	(1,536)
Non-equity		543	519
	27	<u>(911)</u>	<u>(1,017)</u>

The accounts were approved by the board of directors on 15 January 2003 and signed on its behalf by:

I L HAY  
Director



The notes on pages 10 to 23 form part of these accounts.

## BARRHEAD SANITARY WARE LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 MARCH 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(47)	11
Unrealised surplus on revaluation of property	153	-
Total recognised gains and losses relating to the year	<u>106</u>	<u>11</u>

The notes on pages 10 to 23 form part of these accounts

## BARRHEAD SANITARY WARE LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 30 MARCH 2002

	Note	2002	2001
		£'000	£'000
Net cash inflow from operating activities	19	155	209
Returns on investments and servicing of finance	20	(34)	(11)
Taxation paid		-	(1)
Capital expenditure	20	(511)	(77)
Cash (outflow) inflow before financing		(390)	120
Financing	20	386	(60)
(Decrease) increase in cash in the year	21	(4)	60
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(4)	60
New bank loan received in year		(445)	-
New HP and finance leases		(66)	-
Cash outflow from loan repayments		56	60
Cash outflow from HP and finance lease repayments		3	-
Change in net debt resulting from cash flows	21	(456)	120
Net debt at 1 April 2001		(2,042)	(2,162)
Net debt at 30 March 2002	21	(2,498)	(2,042)

The notes on pages 10 to 23 form part of these accounts.

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

## 1. Principal accounting policies

## (i) Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of heritable property, 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 or valuation without deduction of government grants. Depreciation is provided at rates calculated to write off the cost or valuation of the assets over their expected useful lives on a straight line basis as follows:

Heritable property	- 40 years
Property improvements	- 10 to 20 years
Plant and machinery	- 3 to 15 years
Fixtures and fittings and equipment	- 3 to 10 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 30 March 2002

## 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 -	3 years
Trade marks	- 3 to 10 years
Capitalised professional fees	- 3 years

## (x) /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

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

## (x) Taxation

The charge for taxation is based on the results for the year and takes into account full provision for taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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:

	2002 £'000	2001 £'000
United Kingdom	3,679	3,620
Europe	88	125
	<u>3,767</u>	<u>3,745</u>

## 3. Interest payable and similar charges (net)

Interest received	(3)	(2)
Other interest	37	13
	<u>34</u>	<u>11</u>

## 4. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

4. Staff numbers and cost	2002 Number	2001 Number
The average number of persons employed by the company during the year, was as follows:		
Production	54	57
Sales and administration	15	12
	<u>69</u>	<u>69</u>
	£'000	£'000
Staff costs comprise:		
Wages and salaries	1,073	1,011
Social security costs	97	93
Pension costs	16	12
	<u>1,186</u>	<u>1,116</u>
5. Directors' remuneration		
Directors' emoluments were £125,084 (2001: £112,909)		
Contributions to money purchase schemes in relation to directors' pensions were £2,950 (2001: £2,120)		
Three directors are accruing retirement benefits under money purchase schemes.		
6. (Loss)/profit on ordinary activities before taxation		
(Loss)/profit on ordinary activities before taxation is stated after charging or (crediting) the following:		
Depreciation (note 9)	169	164
Amortisation of intangible assets	-	3
(Gain)/Loss on sale of fixed assets	(10)	-
Auditors' remuneration	4	4
Operating lease rentals:		
- plant and machinery	7	10
Government grants credit	(48)	(49)
	<u></u>	<u></u>
7. /		

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

## 7. Tax on (loss)/profit on ordinary activities

The taxation charge is made up as follows:

	2002 £'000	2001 £'000
United Kingdom corporation tax		
- current year	-	-
- prior year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Cumulative tax losses, including capital allowances, in excess of £810,000 (2001: £810,000) 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.

## 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 £218,000 (2001: £194,000).

## 9. Tangible fixed assets

	Heritable property £'000	Short leasehold improve- ments £'000	Plant & machinery £'000	Fixtures fittings & equipment £'000	Total £'000
Cost or valuation					
At 1 April 2001	-	265	1,811	53	2,129
Reclassification	265	(265)	-	-	-
Additions	472	-	106	9	587
Revaluation	153	-	-	-	153
	<u>890</u>	<u>-</u>	<u>1,917</u>	<u>62</u>	<u>2,869</u>
At 30 March 2002					
Depreciation					
At 1 April 2001	-	96	1,192	45	1,333
Reclassification	96	(96)	-	-	-
Charge for year	24	-	142	3	169
	<u>120</u>	<u>-</u>	<u>1,334</u>	<u>48</u>	<u>1,502</u>
At 30 March 2002					
Net Book Value:					
At 30 March 2002	<u>770</u>	<u>-</u>	<u>583</u>	<u>14</u>	<u>1,367</u>
At 31 March 2001	<u>-</u>	<u>169</u>	<u>619</u>	<u>8</u>	<u>796</u>



## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

9. Tangible fixed assets (cont'd)	2002	2001
	£'000	£'000
Analysis of net book value of land and buildings		
Heritable property	770	-
	<u>770</u>	<u>-</u>
Analysis of tangible assets stated at valuation		
Heritable property	625	-
	<u>625</u>	<u>-</u>

The heritable property was revalued on an open market basis on 28 March 2001 by Graham & Sibbald, Chartered Surveyors.

If shown on an historical cost basis, the revalued tangible assets would be stated as follows:

	2002	2001
	£'000	£'000
Heritable Property		
Cost	472	-
Depreciation	(8)	-
	<u>464</u>	<u>-</u>
Total historical net book value of revalued assets at 30 March 2002	<u>464</u>	<u>-</u>

## 10. Stocks

Raw materials and consumables	90	88
Work in progress	80	95
Finished goods and goods for resale	349	356
	<u>519</u>	<u>539</u>

## 11. Debtors

Trade debtors – factored	909	919
Other debtors	27	25
Prepayments and accrued income	65	71
	<u>1,001</u>	<u>1,015</u>

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

## 12 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Current instalments due under loans	113	43
Net obligation under hire purchase contracts	18	-
Trade creditors	604	696
Other taxation and social security	98	82
Accruals and deferred income	98	193
Other creditors	390	196
	<u>1,321</u>	<u>1,210</u>

Other creditors, which represent the balance of the Factor's current account, are secured over the company's debtor book.

## 13. Creditors: amounts falling due after more than one year

Due to parent undertaking	45	45
Loans	2,292	1,973
Net obligations under hire purchase contracts	45	-
	<u>2,382</u>	<u>2,018</u>

## Loans:

Amounts falling due within one year	113	43
Between one and two years	16	33
Between two and five years	163	166
In five years or more	2,158	1,819

	2,450	2,061
Included within amounts due within one year	113	43

	<u>2,337</u>	<u>2,018</u>
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## Included above:

Loans not repayable by instalments and falling due after five years	<u>1,816</u>	<u>1,819</u>
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## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

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

## Loans:

As at 30 March 2002 subordinated guaranteed unsecured loan stock 1997 amounting to £1,771,419 (2001 : £1,772,864) 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.

The company is entitled to set-off against the loan stock an amount equal to the taxation saved by Baxi Partnership Limited as a result of the surrender of group relief. A set-off of £77,929 was recognised in the year ended 27 March 1999.

The Royal Bank of Scotland plc holds a standard security over 15-17 Nasmyth Road South and a bond and floating charge over the assets of the company.

## 14. Obligations under hire purchase contracts

The company's obligations are repayable as follows:

	2002 £'000	2001 £'000
Within one year	25	-
In two to five years	69	-
Total gross obligations	94	-
Finance charges and interest allocated to future accounting periods	(31)	-
Total obligations	63	-

Net obligations analysed as follows:

Included in creditors – amounts falling due within one year	18	-
Included in creditors – amounts falling due after one year	45	-
	63	-

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

15. Share capital	2002 £'000	2001 £'000
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
	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid:		
106,000 Ordinary Voting Shares of £1 each (equity)	106	106
437,110 Ordinary Non-Voting Shares of £1 each (equity)	437	437
	<u>543</u>	<u>543</u>
325,000 Redeemable Preference Shares of £1 each (non-equity)	325	325
	<u>868</u>	<u>868</u>

Under the terms of the preference share subscription agreements, the company is 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 were 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

As on all of those dates, the Company could not 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.

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

## 15. Share capital (cont'd)

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	Revaluation Reserve	2002 £'000	2001 £'000
	Surplus on revaluation during the year	<u>153</u>	<u>-</u>
17.	Profit and loss account		
	At 1 April 2001	(1,885)	(1,896)
	Transfer for the year	(71)	(13)
	Finance costs of non equity shares	<u>24</u>	<u>24</u>
	At 30 March 2002	<u>(1,932)</u>	<u>(1,885)</u>
18.	Reconciliation of movements in shareholders' funds		
	Deficit on shareholders' funds at beginning of the year	(1,017)	(1,028)
	Transfer for the financial year for equity shareholders	(71)	(13)
	Appropriation from equity to non-equity interests included therein	24	24
	Increase in revaluation reserve	<u>153</u>	<u>-</u>
	Deficit on shareholders' funds at end of year	<u>(911)</u>	<u>(1,017)</u>

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

19. Reconciliation of operating profit to net cash inflow	2002 £'000	2001 £'000
Operating (loss)/profit	(13)	22
Depreciation of tangible fixed assets	169	164
Amortisation of intangible fixed assets	-	3
Gain on disposal of fixed assets	(10)	-
Decrease/(increase) in stocks	20	(202)
Decrease/(increase) in debtors	14	(10)
Increase in creditors	23	281
Government grants release	(48)	(49)
	<u>155</u>	<u>209</u>
Net cash inflow from operating activities	<u>155</u>	<u>209</u>
20. Analysis of cash flows		
Returns on investments and servicing of finance:		
Interest received	3	2
Interest paid	(37)	(13)
	<u>(34)</u>	<u>(11)</u>
Capital expenditure:		
Payments to acquire fixed assets	(521)	(77)
Disposals of fixed assets	10	-
	<u>(511)</u>	<u>(77)</u>
Financing:		
Additional loan received in year	445	-
Loan repayments	(56)	(60)
HP and finance lease repayments	(3)	-
	<u>386</u>	<u>(60)</u>

## BARRHEAD SANTARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 March 2002

## 21. Analysis of changes in net debt

	At 31 March 2001 £'000	Cash Flows £'000	Non Cash Changes £'000	At 31 March 2002 £'000
Cash at bank and in hand	19	(4)	-	15
Loans due within one year	(43)	(70)	-	(113)
Loans due after one year	(2,018)	(319)	-	(2,337)
Hire purchase and finance Leases	-	3	(66)	(63)
	<u>(2,042)</u>	<u>(390)</u>	<u>(66)</u>	<u>(2,498)</u>

## 22. Financial liabilities

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

## 23. Financial commitments

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

	2002		2001	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £000
Operating leases which expire:				
Within one year	-	3	-	5
In the second to fifth years inclusive	32	24	32	24
In over five years	<u>-</u>	<u>-</u>	<u>70</u>	<u>-</u>

## 24. Going concern

The directors are aware that the company had a net asset deficiency at 30 March 2002.

The company has an agreement with Baxi Partnership Limited deferring payment of amounts advanced. The company also has a factoring arrangement with Royal Bank Commercial Services Limited to provide working capital. The directors consider that the company's working capital should be adequate for its foreseeable needs.

**BARRHEAD SANITARY WARE LIMITED****NOTES TO THE ACCOUNTS**

Year ended 30 March 2002

**24. Going concern (cont'd)**

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 continues to have a positive effect on trading.

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 is a subsidiary of Barrhead International Limited.

**26. Post balance sheet event**

On 20 December 2002 the company's balance sheet was reconstructed. The 1,769,906 subordinated guaranteed unsecured loan notes 1997 were transferred by Baxi Limited to the company's parent undertaking Barrhead International Limited.

The consideration given to Baxi Limited by Barrhead International Limited was 1,469,906 "B" ordinary shares of £1 each and 300,000 subordinated guaranteed loan notes 2002. The company has guaranteed the obligations of its parent undertaking in respect of payment of these loan notes.

The 1,769,906 subordinated guaranteed unsecured loan stock held by Barrhead International Limited was then capitalised into 1,769,906 ordinary voting shares of £1 each.

The effect of the reconstruction is shown in the pro-forma balance sheet in Note 27.



## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

30 MARCH 2002

## 27. Pro-forma balance sheet

If the scheme of reconstruction referred to in note 26 had been in place at the balance sheet date, the company's balance sheet would have been as follows:

	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>		
Tangible assets	1,367	796
<b>CURRENT ASSETS</b>		
Stocks	519	539
Debtors	1,001	1,015
Cash at bank and in hand	15	19
	<u>1,535</u>	<u>1,573</u>
<b>CREDITORS: amounts falling due within one year</b>	1,321	1,210
<b>NET CURRENT ASSETS</b>	<u>214</u>	<u>363</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,581	1,159
<b>CREDITORS: amounts falling due after more than one year</b>	612	2,018
<b>DEFERRED INCOME</b>		
Government grants	110	158
	<u>722</u>	<u>2,176</u>
<b>NET ASSETS (LIABILITIES)</b>	<u>859</u>	<u>(1,017)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital - equity	2,313	543
- non equity	325	325
Revaluation reserve	153	-
Profit and loss account	(1,932)	(1,885)
<b>SHAREHOLDERS' FUNDS</b>	<u>859</u>	<u>(1,017)</u>
Comprising :		
Equity	316	(1,536)
Non-equity	543	519
	<u>859</u>	<u>(1,017)</u>