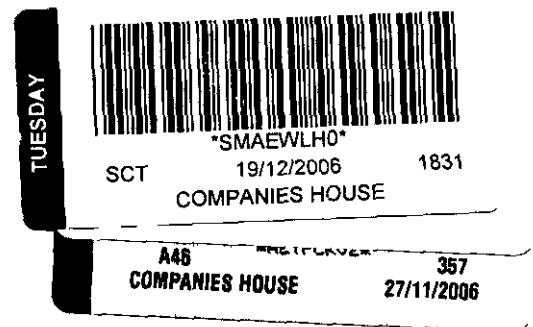


REGISTERED NUMBER SC138807 (Scotland)

BARRHEAD SANITARY WARE LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006



Ormerod Rutter Limited
Registered Auditor
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

BARRHEAD SANITARY WARE LIMITED

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BARRHEAD SANITARY WARE LIMITED
COMPANY INFORMATION
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

DIRECTORS:

Mr I W Hall
Mr D W Conn
Mr I L Hay
Miss A Shepherd

SECRETARY:

Mr I L Hay

REGISTERED OFFICE:

15/17 Nasmyth Road South
Hillington
Glasgow
G52 4RE

REGISTERED NUMBER:

SC138807 (Scotland)

AUDITORS:

Ormerod Rutter Limited
Registered Auditor
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

BARRHEAD SANITARY WARE LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

The directors present their report with the financial statements of the company for the period 1st April 2005 to 30th June 2006

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of the manufacture and sale of sanitaryware and related products

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements

During the period the company extended its accounting reference date to 30th June

DIVIDENDS

No dividends will be distributed for the period ended 30th June 2006

DIRECTORS

The directors during the period under review were

Mr I W Hall	appointed 8/7/2005
Mr D W Conn	appointed 8/7/2005
Mr I L Hay	
Miss A Shepherd	appointed 8/7/2005
Mr E T Thornton	resigned 3/3/2006
Mr K G Durose	resigned 28/4/2006

The directors holding office at 30th June 2006 did not hold any beneficial interest in the issued share capital of the company at 1st April 2005 (or date of appointment if later) or 30th June 2006

The directors interests in the holding company are as disclosed in that company's financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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,
- 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 reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

BARRHEAD SANITARY WARE LIMITED

**REPORT OF THE DIRECTORS
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

AUDITORS

During the period, Scott Moncreiff Chartered Accountants resigned as auditors and were replaced by Ormerod Rutter Limited. Ormerod Rutter Limited have indicated their willingness to accept reappointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mr I L Hay Secretary

24th August 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
BARRHEAD SANITARY WARE LIMITED**

We have audited the financial statements of Barrhead Sanitary Ware Limited for the period ended 30th June 2006 on pages five to sixteen. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 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 auditors' 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

As described on page two, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Report of the Directors is 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30th June 2006 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the report of the directors is consistent with the financial statements.

Ormerod Rutter Limited
Registered Auditor
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

24th August 2006

BARRHEAD SANITARY WARE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

	Notes	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
TURNOVER	2	3,419,842	2,957,333
Cost of sales		2,963,192	2,187,048
GROSS PROFIT		456,650	770,285
Administrative expenses		1,188,621	911,494
		(731,971)	(141,209)
Other operating income			28,475
OPERATING LOSS	4	(731,971)	(112,734)
Interest receivable and similar income		138	886
		(731,833)	(111,848)
Interest payable and similar charges	5	17,503	46,618
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(749,336)	(158,466)
Tax on loss on ordinary activities	6		
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		(749,336)	(158,466)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous period

The notes form part of these financial statements

BARRHEAD SANITARY WARE LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
LOSS FOR THE FINANCIAL PERIOD	(749,336)	(158,466)
Gain on revaluation on property	<u> </u>	<u>91,000</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	<u>(749,336)</u>	<u>(67,466)</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

	Period 1 4 05 to 30.6 06 £	Period 3 4 04 to 31 3 05 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(749,336)	(158,466)
Realisation of property revaluation gains of previous years	<u>233,127</u>	<u> </u>
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(516,209)</u>	<u>(158,466)</u>
HISTORICAL COST LOSS FOR THE PERIOD RETAINED AFTER TAXATION	<u>(516,209)</u>	<u>(158,466)</u>

The notes form part of these financial statements

BARRHEAD SANITARY WARE LIMITED

**BALANCE SHEET
30TH JUNE 2006**

	Notes	2006 £	2005 £
FIXED ASSETS			
Intangible assets	8	2,242	6,558
Tangible assets	9	750,624	1,253,404
		<u>752,866</u>	<u>1,259,962</u>
CURRENT ASSETS			
Stocks	10	580,806	531,472
Debtors	11	764,845	620,756
Cash at bank and in hand		1,788	197,892
		<u>1,347,439</u>	<u>1,350,120</u>
CREDITORS			
Amounts falling due within one year	12	2,315,509	1,483,111
NET CURRENT LIABILITIES		<u>(968,070)</u>	<u>(132,991)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(215,204)</u>	<u>1,126,971</u>
CREDITORS			
Amounts falling due after more than one year	13	21,342	381,054
NET (LIABILITIES)/ASSETS		<u><u>(236,546)</u></u>	<u><u>745,917</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	2,638,016	2,638,016
Revaluation reserve	17	22,556	263,029
Profit and loss account	17	(2,897,118)	(2,155,128)
SHAREHOLDERS' FUNDS (including non-equity interests)	23	<u><u>(236,546)</u></u>	<u><u>745,917</u></u>

The financial statements were approved by the Board of Directors on 24th August 2006 and were signed on its behalf by



Mr I L Hay Director

The notes form part of these financial statements

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter

Freehold property	Straight line over 40 years
Plant and machinery	2 to 40 years on cost
Fixtures and fittings	3 to 10 years on cost

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

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. Contributions payable for the period are charged in the profit and loss account.

Government grants

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

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

Intangible assets

Intangible assets include development costs which are trademarks, now fully depreciated, and computer software costs which are website development costs, being amortised over their expected useful life of three years. Impairment reviews are carried out on the value of all intangible assets.

BARRHEAD SANITARY WARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

2 TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
United Kingdom	3,229,292	2,864,333
Europe	63,779	46,000
Outside EU	126,771	47,000
	<u>3,419,842</u>	<u>2,957,333</u>

3 STAFF COSTS

	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
Wages and salaries	1,363,529	1,039,992
Social security costs	122,244	90,000
Other pension costs	32,198	21,888
	<u>1,517,971</u>	<u>1,151,880</u>

The average monthly number of employees during the period was as follows

	Period 1 4 05 to 30 6 06	Period 3 4 04 to 31 3 05
Production	57	57
Sales and administration	12	12
	<u>69</u>	<u>69</u>

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

4 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
Hire of plant and machinery	15,200	11,499
Depreciation owned assets	170,916	91,237
Depreciation assets on hire purchase contracts	2,897	
(Profit)/Loss on disposal of fixed assets	(130,830)	1,306
Development costs amortisation	578	102
Computer software amortisation	3,738	
	<u>121,260</u>	<u>121,260</u>
Directors' emoluments		
	<u>121,260</u>	<u>121,260</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1 4 05 to 30 6 06 £	Period 3 4 04 to 31 3 05 £
Factoring interest	5,106	15,527
Mortgage interest	10,291	26,571
Hire purchase interest	2,106	4,520
	<u>17,503</u>	<u>46,618</u>

6 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period ended 30th June 2006 nor for the period ended 31st March 2005

7 DIVIDENDS

Under the terms of the preference share subscription agreements, in view of the absence of distributable reserves, no dividends on preference shares are payable. Cumulative dividends accrued but not recognised in the accounts amount to £316,875 (2005 £290,500)

BARRHEAD SANITARY WARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

8 INTANGIBLE FIXED ASSETS

	Development costs £	Computer software £	Totals £
COST			
At 1st April 2005 and 30th June 2006	5,233	5,980	11,213
AMORTISATION			
At 1st April 2005	4,655		4,655
Amortisation for period	578	3,738	4,316
At 30th June 2006	5,233	3,738	8,971
NET BOOK VALUE			
At 30th June 2006		2,242	2,242
At 31st March 2005	578	5,980	6,558

9 TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1st April 2005	947,305	2,064,299	89,483	3,101,087
Additions	4,588	409,665	58,987	473,240
Disposals	(951,893)	(27,121)		(979,014)
At 30th June 2006		2,446,843	148,470	2,595,313
DEPRECIATION				
At 1st April 2005	153,153	1,631,211	63,319	1,847,683
Charge for period	10,545	146,480	16,788	173,813
Eliminated on disposal	(163,698)	(13,109)		(176,807)
At 30th June 2006		1,764,582	80,107	1,844,689
NET BOOK VALUE				
At 30th June 2006		682,261	68,363	750,624
At 31st March 2005	794,152	433,088	26,164	1,253,404

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

	Property 2006	Property 2005	Plant & Machinery 2006	Plant & Machinery 2005
Cost		472,000	7,459	7,459
Depreciation		43,000	2,344	1,042
Net book value		429,000	5,115	6,417

The net book value of tangible fixed assets includes £19,765 (2005 £22,662) in respect of assets held under hire purchase contracts

BARRHEAD SANITARY WARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

10 STOCKS

	2006	2005
	£	£
Raw materials	100,332	89,273
Work in-progress	105,600	100,731
Finished goods	374,874	341,468
	<u>580,806</u>	<u>531,472</u>

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Trade debtors	571,117	549,240
Other debtors	118,951	16,000
Prepayments and accrued income	74,777	55,516
	<u>764,845</u>	<u>620,756</u>

The company's sales ledger is factored. Included within other debtors is £113,463 (2005 £nil) representing the balance of the factor's current account.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Bank loans and overdrafts (see note 14)	1,459,964	22,103
Hire purchase contracts (see note 15)	2,865	11,459
Trade creditors	510,356	831,035
Amounts owed to group undertakings	109,609	60,000
Social security and other taxes	28,484	25,194
Other creditors	63,740	370,025
VAT	31,082	42,246
Accruals and deferred income	109,409	121,049
	<u>2,315,509</u>	<u>1,483,111</u>

Included within other creditors is £nil (2005 £370,025) that represents the balance of the factor's current account and is secured over the company's debtor book.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£	£
Bank loans (see note 14)		359,741
Amounts owed to group undertakings	21,342	21,313
	<u>21,342</u>	<u>381,054</u>

BARRHEAD SANITARY WARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

14 LOANS

An analysis of the maturity of loans is given below

	2006 £	2005 £
Amounts falling due within one year or on demand		
Bank overdrafts	1,459,964	
Bank loans		22,103
	<u>1,459,964</u>	<u>22,103</u>
Amounts falling due between one and two years		
Bank loans 1 2 years		27,684
		<u>27,684</u>
Amounts falling due between two and five years		
Bank loans 2 5 years		82,402
		<u>82,402</u>
Amounts falling due in more than five years		
Repayable by instalments		
Bank loans repayable in more than 5 years by instalments		249,655
		<u>249,655</u>

15 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	2006 £	2005 £
		Hire purchase contracts
Net obligations repayable		
Within one year	2,865	11,459
	<u>2,865</u>	<u>11,459</u>

The following operating lease payments are committed to be paid within one year

	2006 £	2005 £
		Other operating leases
Expiring		
Within one year	5,202	
Between one and five years	26,854	20,000
	<u>32,056</u>	<u>20,000</u>

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

16 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2006 £	2005 £
1,875,906	Ordinary voting shares	£1	1,875,906	1,875,906
1,500,000	Ordinary non voting shares	£1	1,500,000	1,500,000
1,000,000	7 5% redeemable preference shares	£1	1,000,000	1,000,000
			<u>4,375,906</u>	<u>4,375,906</u>
Allotted, issued and fully paid Number	Class	Nominal value	2006 £	2005 £
1,875,906	Ordinary voting shares	£1	1,875,906	1,875,906
437,110	Ordinary non voting shares	£1	437,110	437,110
325,000	7 5% redeemable preference shares	£1	325,000	325,000
			<u>2,638,016</u>	<u>2,638,016</u>

Under the terms of the preference share subscription agreements, the company is liable to pay a cumulative preferential net dividend of 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 (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 requirement of the Companies Act 1985 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 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 prorata 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.

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

17 RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1st April 2005	(2,155,128)	263,029	(1,892,099)
Deficit for the period	(749,336)		(749,336)
Release of revaluation reserve	7,346	(240,473)	(233,127)
At 30th June 2006	<u>(2,897,118)</u>	<u>22,556</u>	<u>(2,874,562)</u>

18 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the company in an independently administered fund. Pension contributions for the year amounted to £28,353 (2005 £21,888).

19 ULTIMATE PARENT COMPANY

The immediate parent company is Barrhead International Limited.

The ultimate parent company is Utopia Group Limited.

20 CONTINGENT LIABILITIES

The bank overdraft facility has been guaranteed by Utopia Group Limited, Utopia Furniture Limited, Dominion Plumbing Supplies Limited, Barrhead Sanitary Ware Limited, Barrhead International Limited, Kidsville Limited and Utopia Bathrooms Limited. The net amount outstanding for the group was £nil (2005 £nil).

21 OTHER FINANCIAL COMMITMENTS

Details of the company's contingent liability under the terms of the preference share subscription agreements are given in note 7.

The company has guaranteed the obligations of its parent undertaking in respect of the payment of £300,000 subordinated guaranteed loan notes 2002. The loan notes are repayable under the following terms:

- a) One half of any taxation saved by Barrhead Sanitary Ware Limited in utilising tax losses shall be repaid,
- b) One third of net profits of Barrhead Sanitary Ware Limited over £250,000 in any financial year shall be repaid.

The loan notes have been classified as long term in the accounts of Barrhead International Limited because the timing of these repayments is not certain.

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006

22 RELATED PARTY DISCLOSURES

During the period the company traded with Utopia Furniture Limited, a group company Transactions during the year amounted to £166,177 (sales) and balances at the year end amounted to £104,065 (trade debtors)

The company also traded with Utopia Group Limited, the holding company, and transactions during the year amounted to £27,177 (management charges paid) Balances outstanding at the year end amounted to £109,609 (amounts owed to group undertakings)

The company also had a balance outstanding with Barrhead International Limited, its immediate holding company, of £21,342 (amounts owed to group undertakings)

All transactions were undertaken under normal commercial trading terms

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Loss for the financial period	(749,336)	(158,466)
Other recognised gains and losses relating to the period (net)		91,000
Release of revaluation reserve in line with depreciation of fixed assets	7,346	
Release of revaluation reserve on disposal of property	(240,473)	
Net reduction of shareholders' funds	(982,463)	(67,466)
Opening shareholders' funds	745,917	813,383
Closing shareholders' funds	(236,546)	745,917
Equity interests	(561,546)	420,917
Non-equity interests	325,000	325,000
	(236,546)	745,917

BARRHEAD SANITARY WARE LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

	Period 1 4 05 to 30 6 06		Period 3 4 04 to 31 3 05	
	£	£	£	£
Sales		3,419,842		2,957,333
Cost of sales				
Opening stock	531,472		533,615	
Purchases	1,446,925		1,009,092	
Wages	1,057,852		819,158	
Other production costs	366,170		356,655	
Delivery charges	141,579			
	<hr/>		<hr/>	
	3,543,998		2,718,520	
Closing stock	(580,806)		(531,472)	
	<hr/>	2,963,192	<hr/>	2,187,048
GROSS PROFIT		456,650		770,285
Other income				
Government grants			28,475	
Bank interest receivable	138		886	
	<hr/>	138	<hr/>	29,361
		456,788		799,646
Expenditure				
Directors' salaries	121,260		121,260	
Directors' pension contributions	3,845		3,845	
Wages, salaries and NIC	184,417		99,574	
Social security	122,244		90,000	
Pensions	28,353		18,043	
Lease of equipment	15,200		11,499	
Rent and rates	171,121		102,905	
Insurances	54,260		42,546	
General production costs	17,382		13,796	
Telephone and postage	6,593		9,959	
Printing and stationery	26,399		15,881	
Sales and marketing	142,471		130,062	
Travelling	6,315			
Management fees	30,158			
Repairs and renewals	96,053		48,781	
Sundry expenses	26,690		14,008	
Inland Revenue compliance			8,520	
Legal and professional fees	53,928		54,721	
Bad debts	16,189		7,829	
Depreciation of tangible fixed assets	178,039		91,339	
	<hr/>	1,300,917	<hr/>	884,568
Carried forward		(844,129)		(84,922)

This page does not form part of the statutory financial statements

BARRHEAD SANITARY WARE LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

	Period 1 4 05 to 30 6 06		Period 3 4 04 to 31 3 05	
	£	£	£	£
Brought forward		(844,129)		(84,922)
Finance costs				
Bank charges	18,534		25,620	
Factoring interest	5,106		15,527	
Mortgage interest	10,291		26,571	
Hire purchase interest	2,106		4,520	
		<u>36,037</u>		<u>72,238</u>
		(880,166)		(157,160)
Profit/(Loss) on disposal of fixed assets				
Freehold property	144,842			
Plant and machinery	(14,012)		(1,306)	
		<u>130,830</u>		<u>(1,306)</u>
NET LOSS		<u><u>(749,336)</u></u>		<u><u>(158,466)</u></u>

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BARRHEAD SANITARY WARE LIMITED

**POSSIBLE QUALIFICATIONS OR REFERENCES
REQUIRED ON AUDITORS' REPORT
FOR THE PERIOD 1ST APRIL 2005 TO 30TH JUNE 2006**

****BALANCE SHEET SHOWS NEGATIVE OVERALL TOTALS**

****Audit report may need to be amended please refer to client screens**

****CURRENT LIABILITIES EXCEED CURRENT ASSETS**

****Audit report may need to be amended - please refer to client screens**