

*Registered*

BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2001

*Registered number: SC 138807*

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BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2001

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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 31 March 2001.

### 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 and profitability.

### 3. Results and dividends

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

The profit for the financial year after tax amounted to £11,000 (2000: £9,000). The directors are unable to recommend the payment of a dividend for the year and recommend the profit for the financial year be added to reserves.

4./

BARRHEAD SANITARY WARE LIMITED

DIRECTORS' REPORT

4. 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.*

5. Post balance sheet event

On 7 August 2001 the company purchased the land and buildings at 15-17 Nasmyth Road South, Glasgow for a consideration of £450,000.

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



8 August 2001

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.

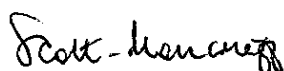
Basis of opinion

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 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SCOTT-MONCRIEFF

Chartered Accountants  
Registered Auditors

Allan House  
25 Bothwell Street  
Glasgow G2 6NL

8 August 2001

## BARRHEAD SANITARY WARE LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	3,745	3,316
Cost of sales		<u>2,777</u>	<u>2,271</u>
GROSS PROFIT		968	1,045
Administrative expenses		<u>946</u>	<u>1,014</u>
OPERATING PROFIT		22	31
Interest payable and similar charges	3	<u>11</u>	<u>20</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	11	11
Tax on profit on ordinary activities	7	<u>-</u>	<u>2</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		11	9
Appropriation: Finance costs of non-equity shares		<u>24</u>	<u>24</u>
TRANSFER FROM RESERVES	16, 17	<u>(13)</u>	<u>(15)</u>

All disclosures relate only to continuing operations

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


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

## BARRHEAD SANITARY WARE LIMITED

## BALANCE SHEET

31 MARCH 2001

	Note	2001 £'000	2000 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	-	3
Tangible assets	10	796	883
		<u>796</u>	<u>886</u>
<b>CURRENT ASSETS</b>			
Stocks	11	539	337
Debtors	12	1,015	1,005
Cash at bank and in hand		19	1
		<u>1,573</u>	<u>1,343</u>
CREDITORS: amounts falling due within one year	13	1,210	989
NET CURRENT ASSETS		<u>363</u>	<u>354</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,159</u>	<u>1,240</u>
CREDITORS: amounts falling due after more than one year	14	2,018	2,061
DEFERRED INCOME			
Government grants		158	207
		<u>2,176</u>	<u>2,268</u>
NET LIABILITIES		<u>(1,017)</u>	<u>(1,028)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity	15	543	543
- non equity	15	325	325
Profit and loss account	16	(1,885)	(1,896)
DEFICIT ON SHAREHOLDERS' FUNDS	17	<u>(1,017)</u>	<u>(1,028)</u>
Comprising :			
Equity		(1,536)	(1,523)
Non-equity		519	495
		<u>(1,017)</u>	<u>(1,028)</u>

The accounts on pages 5 to 19 were approved by the board of directors on 8 August 2001 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 31 MARCH 2001

	Note	2001 £'000	2000 £'000
Net cash inflow from operating activities	18	209	131
Returns on investments and servicing of finance	19	(11)	(20)
Taxation paid		(1)	(1)
Capital expenditure	19	(77)	(98)
Cash inflow/(outflow) before financing		120	12
Financing	19	(60)	(80)
Increase (decrease) in cash in the year	20	60	(68)
Reconciliation of net cash flow to movement in net debt			
Increase (decrease) in cash in the year		60	(68)
Cash outflow from loan repayments		60	80
Change in net debt resulting from cash flows	20	120	12
Net debt at 28 March 2000		(2,162)	(2,174)
Net debt at 31 March 2001	20	(2,042)	(2,162)

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

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

1. Principal accounting policies

(i) Accounting convention

The accounts are prepared under the historical cost convention, on a going concern basis (see note 23) 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	-	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 31 March 2001

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 31 March 2001

## 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 deferred taxation 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:

	2001 £'000	2000 £'000
United Kingdom	3,620	3,227
Europe	125	80
Middle East	-	9
	<u>3,745</u>	<u>3,316</u>

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

Interest received	(2)	(3)
Other interest	13	23
	<u>11</u>	<u>20</u>

## 4. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

	2001 Number	2000 Number
4. Staff numbers and cost		
The average number of persons employed by the company during the year, was as follows:		
Production	57	47
Sales and administration	12	12
	<u>69</u>	<u>59</u>
	<u><u>69</u></u>	<u><u>59</u></u>
	£'000	£'000
Staff costs comprise:		
Wages and salaries	1,011	887
Social security costs	93	78
Pension costs	12	7
	<u>1,116</u>	<u>972</u>
	<u><u>1,116</u></u>	<u><u>972</u></u>
5. Directors' remuneration		
Directors' emoluments were £112,909 (2000: £102,649)		
Contributions to money purchase schemes in relation to directors' pensions were £2,120 (2000: £1,482)		
Three directors are accruing retirement benefits under money purchase schemes.		
6. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging or (crediting) the following:		
Depreciation (note 10)	164	188
Amortisation of intangible assets (note 9)	3	17
Loss on sale of fixed assets	-	3
Auditors' remuneration	4	4
Operating lease rentals:		
- plant and machinery	10	8
Government grants credit	(49)	(49)
	<u><u>164</u></u>	<u><u>188</u></u>

7. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

## 7. Tax on profit on ordinary activities

The taxation charge is made up as follows:

	2001 £'000	2000 £'000
United Kingdom corporation tax @ 20%		
- current year	-	1
- prior year	-	1
	<u>-</u>	<u>1</u>
	-	2
	<u>-</u>	<u>2</u>

Cumulative tax losses, including capital allowances, in excess of £810,000 (2000: £842,000) 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 £194,000 (2000: £170,000).

## 9. Intangible fixed assets

	Trade marks £'000	Capitalised professional fees £'000	Deferred Development Expenditure £'000	Total £'000
Cost				
At 28 March 2000 and 31 March 2001	5	52	81	138
	<u>5</u>	<u>52</u>	<u>81</u>	<u>138</u>
Depreciation				
At 28 March 2000	4	52	79	135
Charge for year	1	-	2	3
	<u>1</u>	<u>-</u>	<u>2</u>	<u>3</u>
At 31 March 2001	5	52	81	138
	<u>5</u>	<u>52</u>	<u>81</u>	<u>138</u>
Net book value				
At 31 March 2001	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 27 March 2000	1	-	2	3
	<u>1</u>	<u>-</u>	<u>2</u>	<u>3</u>

## 10. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

## 10. Tangible fixed assets

	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures fittings and equipment £'000	Total £'000
Cost				
At 28 March 2000	257	1,749	46	2,052
Additions	8	62	7	77
	<u>265</u>	<u>1,811</u>	<u>53</u>	<u>2,129</u>
At 31 March 2001				
Depreciation				
At 28 March 2000	82	1,043	44	1,169
Charge for year	14	149	1	164
	<u>96</u>	<u>1,192</u>	<u>45</u>	<u>1,333</u>
At 31 March 2001				
Net book value				
At 31 March 2001	<u>169</u>	<u>619</u>	<u>8</u>	<u>796</u>
At 27 March 2000	<u>175</u>	<u>706</u>	<u>2</u>	<u>883</u>

## 11. Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	88	82
Work in progress	95	60
Finished goods and goods for resale	356	195
	<u>539</u>	<u>337</u>

## 12. /

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

	2001 £'000	2000 £'000
12. Debtors		
Trade debtors - factored	919	879
Amount due from parent undertaking	-	59
Other debtors	25	25
Prepayments and accrued income	71	42
	<u>1,015</u>	<u>1,005</u>
13 Creditors: amounts falling due within one year		
Current instalments due under loans	43	60
Bank overdraft	-	42
Trade creditors	696	496
Corporation tax	-	1
Other taxation and social security	82	97
Accruals and deferred income	193	185
Other creditors	196	108
	<u>1,210</u>	<u>989</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 undertaking	45	45
Loans	1,973	2,016
	<u>2,018</u>	<u>2,061</u>
Loans:		
Amounts falling due within one year	43	60
Between one and two years	33	42
Between two and five years	166	200
In five years or more	1,819	1,819
	<u>2,061</u>	<u>2,121</u>
Included within amounts due within one year	43	60
	<u>2,018</u>	<u>2,061</u>
Included above:		
Loans not repayable by instalments and falling due after five years	<u>1,819</u>	<u>1,819</u>
As /		



## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

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

As at 31 March 2001 subordinated guaranteed unsecured loan stock 1998 amounting to £1,772,864 (2000 : £1,774,077) 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.

	2001 £'000	2000 £'000
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
	<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>

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

## 15. Share capital (cont'd)

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.

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.

## BARRHEAD SANITARY WARE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

16. Profit and loss account	2001 £'000	2000 £'000
At 28 March 2000	(1,896)	(1,905)
Transfer for the year	(13)	(15)
Finance costs of non equity shares	24	24
At 31 March 2001	<u>(1,885)</u>	<u>(1,896)</u>
17. Reconciliation of movements in shareholders' funds		
Deficit on shareholders' funds at beginning of the year	(1,028)	(1,037)
Transfer for the financial year for equity shareholders	(13)	(15)
Appropriation from equity to non-equity interests included therein	24	24
Deficit on shareholders' funds at end of year	<u>(1,017)</u>	<u>(1,028)</u>
18. Reconciliation of operating profit to net cash inflow		
Operating profit	22	31
Depreciation of tangible fixed assets	164	188
Amortisation of intangible fixed assets	3	17
Loss on disposal of fixed assets	-	3
(Increase) decrease in stocks	(202)	55
Increase in debtors	(10)	(67)
Increase (decrease) in creditors	281	(47)
Government grants release	(49)	(49)
Net cash inflow from operating activities	<u>209</u>	<u>131</u>

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

19.	Analysis of cash flows	2001 £'000	2000 £'000
	Returns on investments and servicing of finance:		
	Interest received	2	3
	Interest paid	(13)	(23)
		<u>(11)</u>	<u>(20)</u>
	Capital expenditure:		
	Payments to acquire fixed assets	(77)	(110)
	Disposals of fixed assets	-	12
		<u>(77)</u>	<u>(98)</u>
	Financing:		
	Loan repayments	<u>(60)</u>	<u>(80)</u>
20.	Analysis of changes in net debt		
		At 28 March 2000 £'000	Cash Flows £'000
			At 31 March 2001 £'000
	Bank overdraft	(42)	42
	Cash at bank and in hand	1	18
	Loans due within one year	(60)	17
	Loans due after one year	(2,061)	43
		<u>(2,162)</u>	<u>120</u>
			<u>(2,042)</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.

## NOTES TO THE ACCOUNTS

Year ended 31 March 2001

## 22. Financial commitments

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

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £000
Operating leases which expire:				
Within one year	-	5	-	12
In the second to fifth years inclusive	-	24	-	21
In over five years	70	-	70	-
	<u>70</u>	<u>29</u>	<u>70</u>	<u>33</u>

## 23. Going concern

The directors are aware that the company had a net asset deficiency at 31 March 2001.

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.

The profit before the finance costs of non-equity shares reflects continued profitable trading.

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 and profitability.

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.

## 24. Post balance sheet event

On 7 August 2001 the company purchased the land and buildings at 15-17 Nasmyth Road South, Glasgow for a consideration of £450,000.

## 25. Ultimate parent undertaking

The company is a subsidiary of Barrhead International Limited.