

BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 27 March 1999



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BARRHEAD SANITARY WARE LIMITED

REPORT AND ACCOUNTS

Year ended 27 March 1999

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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 27 March 1999.

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.

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 has had 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 and the finance cost of non-equity shares amounted to £76,000 (1998: loss £313,000). The directors are unable to recommend the payment of a dividend for the year and recommend the profit for the financial year be transferred 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. Year 2000

The company has addressed the Year 2000 problem by installing a new Sage Line 50 for Windows accounting package. It has also been confirmed by suppliers that the company's kilns, which are computer controlled, are Year 2000 compliant. No further costs are anticipated by the directors to comply with the Year 2000 problem.

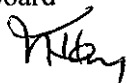
6. Auditors

Moores Rowland merged with Scott-Moncrieff on 1 March 1999 and changed their name to Scott-Moncrieff on the same date. The auditors' report has been signed in their new name.

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



2 June 1999

BARRHEAD SANITARY WARE LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF BARRHEAD SANITARY WARE LIMITED

We have audited the accounts on pages 5 to 20.

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 27 March 1999 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

2 June 1999

BARRHEAD SANITARY WARE LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 27 MARCH 1999

	Note	1999 £000	1998 £000
TURNOVER	2	3,334	2,950
Cost of sales		<u>2,277</u>	<u>2,044</u>
GROSS PROFIT		1,057	906
Administrative expenses		<u>1,013</u>	<u>1,104</u>
OPERATING PROFIT (LOSS)		44	(198)
Interest payable and similar charges	3	<u>22</u>	<u>91</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	22	(289)
Tax on profit (loss) on ordinary activities	7	<u>(78)</u>	<u>-</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		100	(289)
Finance costs of non-equity shares		<u>(24)</u>	<u>(24)</u>
TRANSFER TO (FROM) RESERVES	16, 17	<u><u>76</u></u>	<u><u>(313)</u></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 20 form part of these accounts.

BARRHEAD SANITARY WARE LIMITED

BALANCE SHEET

27 MARCH 1999

	Note	1999 £000	1998 £000
FIXED ASSETS			
Intangible assets	9	19	56
Tangible assets	10	976	1,043
		<u>995</u>	<u>1,099</u>
CURRENT ASSETS			
Stocks	11	392	388
Debtors	12	938	735
Cash at bank and in hand		27	26
		<u>1,357</u>	<u>1,149</u>
CREDITORS: amounts falling due within one year	13	1,014	863
NET CURRENT ASSETS		<u>343</u>	<u>286</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,338</u>	<u>1,385</u>
CREDITORS: amounts falling due after more than one year	14	2,119	2,217
DEFERRED INCOME			
Government grants		256	305
		<u>2,375</u>	<u>2,522</u>
NET LIABILITIES		<u>(1,037)</u>	<u>(1,137)</u>
CAPITAL AND RESERVES			
Called up share capital - equity	15	543	543
- non equity	15	325	325
Profit and loss account	16	(1,905)	(2,005)
DEFICIT ON SHAREHOLDERS' FUNDS	17	<u>(1,037)</u>	<u>(1,137)</u>
Comprising :			
Equity		(1,508)	(1,584)
Non-equity		471	447
		<u>(1,037)</u>	<u>(1,137)</u>

The accounts on pages 5 to 20 were approved by the board of directors on 2 June 1999 and signed on its behalf by:

I L HAY
Director



The notes on pages 8 to 20 form part of these accounts.

BARRHEAD SANITARY WARE LIMITED

CASH FLOW STATEMENT

YEAR ENDED 27 MARCH 1999

		1999	1998
		£000	£000
Net cash inflow from operating activities	18	96	24
Returns on investments and servicing of finance	19	(22)	(91)
Capital expenditure	19	(129)	(76)
Cash outflow before financing		(55)	(143)
Financing	19	56	149
Increase in cash in the year	20	1	6
		<u> </u>	<u> </u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		1	6
Cash outflow from finance lease financing		-	3
Cash outflow from loan repayments		9	-
Additional loans received		(65)	(152)
Change in net debt resulting from cash flows		(55)	(143)
Loan notes repaid by group relief surrender		78	-
Movement in net debt in the year		23	(143)
Net debt at 29 March 1998		(2,197)	(2,054)
Net debt at 27 March 1999	20	(2,174)	(2,197)
		<u> </u>	<u> </u>

The notes on pages 8 to 20 form part of these accounts.

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

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 27 March 1999

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 27 March 1999

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:

	1999 £000	1998 £000
United Kingdom	3,259	2,856
Republic of Ireland	75	69
Middle East	-	25
	<u>3,334</u>	<u>2,950</u>

3. Interest payable and similar charges (net)

Interest received	(5)	(1)
Loan interest on group loans	-	80
Other interest	27	12
	<u>22</u>	<u>91</u>

4. /

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

4.	Staff numbers and cost	1999 Number	1998 Number
	The average number of persons employed by the company during the year, was as follows:		
	Production	51	57
	Sales and administration	12	12
		<u>63</u>	<u>69</u>
		1999 £000	1998 £000
	Staff costs comprise:		
	Wages and salaries	934	896
	Social security costs	92	80
	Pension costs	5	3
		<u>1,031</u>	<u>979</u>
5.	Directors' remuneration		
	Directors' emoluments were £93,774. Contributions to money purchase schemes in relation to directors' pensions were £919.		
	Three directors are accruing retirement benefits under money purchase schemes.		
6.	Profit (loss) on ordinary activities before taxation		
	Profit (loss) on ordinary activities before taxation is stated after charging or (crediting) the following:		
	Depreciation (note 10)	190	200
	Amortisation of intangible assets	37	37
	Loss on sale of fixed assets	6	3
	Auditors' remuneration		
	- audit	4	4
	Operating lease rentals:		
	- plant and machinery	9	6
	Government grants credit	<u>(49)</u>	<u>(49)</u>
7.	/		

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

7. Taxation

	1999 £000	1998 £000
Group relief	<u>(78)</u>	<u>-</u>

Group relief was surrendered to Baxi Heating Limited, a subsidiary of the company's former parent undertaking Baxi Partnership Limited. The company is entitled to set-off against the Unsecured Loan Notes due this amount of taxation saved (note 14).

Cumulative tax losses, including capital allowances, in excess of £844,000 (1998: £850,000) 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 £146,000 (1998: £122,000).

9. Intangible fixed assets

	Trade marks £000	Capitalised professional fees £000	Deferred development expenditure £000	Total £000
Cost				
At 29 March 1998 and at 27 March 1999	<u>4</u>	<u>52</u>	<u>81</u>	<u>137</u>
Depreciation				
At 29 March 1998	4	27	50	81
Charge for year	<u>-</u>	<u>17</u>	<u>20</u>	<u>37</u>
At 27 March 1999	<u>4</u>	<u>44</u>	<u>70</u>	<u>118</u>
Net book value				
At 27 March 1999	<u>-</u>	<u>8</u>	<u>11</u>	<u>19</u>
At 28 March 1998	<u>-</u>	<u>25</u>	<u>31</u>	<u>56</u>

10. /

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

10. Tangible fixed assets

	Short leasehold improvements £000	Plant and machinery £000	Fixtures fittings and equipment £000	Total £000
Cost				
At 29 March 1998	252	1,560	43	1,855
Additions	2	124	3	129
Disposals	-	(15)	-	(15)
	<u>254</u>	<u>1,669</u>	<u>46</u>	<u>1,969</u>
At 27 March 1999				
Depreciation				
At 29 March 1998	56	721	35	812
Charge for year	13	171	6	190
Disposals	-	(9)	-	(9)
	<u>69</u>	<u>883</u>	<u>41</u>	<u>993</u>
At 27 March 1999				
Net book value				
At 27 March 1999	<u>185</u>	<u>786</u>	<u>5</u>	<u>976</u>
At 28 March 1998	<u>196</u>	<u>839</u>	<u>8</u>	<u>1,043</u>

11. Stocks	1999 £000	1998 £000
Raw materials and consumables	78	71
Work in progress	60	77
Finished goods and goods for resale	254	240
	<u>392</u>	<u>388</u>

12. /

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

	1999 £000	1998 £000
12. Debtors		
Trade debtors - factored	879	694
Other debtors	22	22
Prepayments and accrued income	37	19
	<u>938</u>	<u>735</u>
13 Creditors: amounts falling due within one year		
Current instalments due under loans	82	6
Trade creditors	412	414
Other taxation and social security	87	75
Accruals and deferred income	126	125
Other creditors	307	243
	<u>1,014</u>	<u>863</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	2,074	2,172
	<u>2,119</u>	<u>2,217</u>
Loans:		
Amounts falling due within one year	82	6
Between one and two years	60	54
Between two and five years	140	166
In five years or more	1,919	1,997
	<u>2,201</u>	<u>2,223</u>
Included within amounts due within one year	82	6
	<u>2,119</u>	<u>2,217</u>
Included above:		
Loans not repayable by instalments and falling due after five years	<u>1,819</u>	<u>1,897</u>

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BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

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

As at 27 March 1999 subordinated guaranteed unsecured loan stock 1997 amounting to £1,774,077 (1998 : £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.

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 has been recognised in these accounts (note 7).

	1999 £000	1998 £000
Loan repayable by instalments some of which are due after five years (secured)	300	300
This loan is repayable in instalments as follows:		
30 September 1999	34	34
30 September 2000	33	33
30 September 2001	33	33
30 September 2002	100	100
30 September 2004	100	100
	<u>300</u>	<u>300</u>

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.

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

	1999 £'000	1998 £'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
437,100 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 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 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

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/

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

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. Profit and loss account	1999 £000	1998 £000
At 29 March 1998	(2,005)	(1,716)
Profit (loss) for the year	76	(313)
Finance costs of non equity shares	24	24
At 27 March 1999	<u>(1,905)</u>	<u>(2,005)</u>
17. Reconciliation of movements in shareholders' funds		
Deficit on shareholders' funds at beginning of the year	(1,137)	(848)
Profit (loss) for the financial year for equity shareholders	76	(313)
Appropriation from equity to non-equity interests included therein	24	24
Deficit on shareholders' funds at end of year	<u>(1,037)</u>	<u>(1,137)</u>

18./

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

18.	Reconciliation of operating profit (loss) to net cash inflow	1999 £000	1998 £000		
	Operating profit (loss)	44	(198)		
	Depreciation of tangible fixed assets	190	200		
	Amortisation of intangible fixed assets	37	37		
	Loss on disposal of fixed assets	6	3		
	Increase in stocks	(4)	(34)		
	Increase in debtors	(203)	(89)		
	Increase in creditors	75	154		
	Government grants release	(49)	(49)		
		<hr/>	<hr/>		
	Net cash inflow from operating activities	96	24		
		<hr/>	<hr/>		
19.	Analysis of cash flows				
	Returns on investment and servicing of finance:				
	Interest received	5	1		
	Interest paid	(27)	(92)		
		<hr/>	<hr/>		
		(22)	(91)		
		<hr/>	<hr/>		
	Capital expenditure:				
	Payments to acquire fixed assets	(129)	(83)		
	Disposals of fixed assets	-	7		
		<hr/>	<hr/>		
		(129)	(76)		
		<hr/>	<hr/>		
	Financing:				
	Capital element of finance lease repayments	-	(3)		
	Loans received	65	152		
	Loan repayments	(9)	-		
		<hr/>	<hr/>		
		56	149		
		<hr/>	<hr/>		
20.	Analysis of changes in net debt				
		At 29 March 1998 £000	Cash Flows £000	Other Non-cash Changes £000	At 27 March 1999 £000
	Cash at bank and in hand	26	1	-	27
	Loans due within one year	(6)	6	(82)	(82)
	Loans due after one year	(2,217)	(62)	160	(2,119)
		<hr/>	<hr/>	<hr/>	<hr/>
		(2,197)	(55)	78	(2,174)
		<hr/>	<hr/>	<hr/>	<hr/>

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

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:

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire: in the second to fifth years inclusive	-	24	-	56
in over five years	70	-	70	-
	<u>70</u>	<u>-</u>	<u>70</u>	<u>-</u>

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 27 March 1999.

	£'000
Services and expenses invoiced by P & A Associates (controlled by Mr P Bickley)	60
	<u>60</u>
Due to P & A Associates at 27 March 1999	6
	<u>6</u>

24./

BARRHEAD SANITARY WARE LIMITED

NOTES TO THE ACCOUNTS

Year ended 27 March 1999

24. Going concern

The directors are aware that the company had a net asset deficiency at 27 March 1999.

The company has entered into an agreement with Baxi Partnership Limited to defer payment of amounts advanced. The company has also 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 profit for the year reflects a marked improvement in performance.

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.

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.

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