

**BARRHEAD INTERNATIONAL LIMITED**

**Registered number: SC177682**

**REPORT AND ACCOUNTS**

**Year ended 2 April 2005**



**BARRHEAD INTERNATIONAL LIMITED**  
**REPORT AND ACCOUNTS**  
Year ended 2 April 2005

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Directors

K G Durose  
I L Hay

Secretary and registered office

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

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended 2 April 2005

1. Directors' responsibilities

Company law requires the directors to prepare accounts that give a true and fair view of the *state of affairs of the company and of the profit or loss for its financial year*. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 maintaining proper accounting records that 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 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.

2. Principal activity

The principal activity of the company is the provision of management services to its subsidiary undertaking.

3. Results, dividend and future developments

The results for the year are shown on page 5. The directors do not recommend the payment of a dividend.

Agreement has been reached for the acquisition of a majority shareholding in the company by Utopia Group Limited. This transaction is due to be completed in July 2005. Details of the terms of the acquisition are included in note 12 to the financial statements.

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## DIRECTORS' REPORT (cont'd)

## 4 Directors and their interests

The directors served on the Board throughout the year.

The directors' interests in the shares of the company at the beginning of the year and the end of the year were as follows:

'A' Ordinary Shares of £1 each	2 April 2005	28 March 2004
K G Durose	20,000	20,000
I L Hay	12,500	12,500

## 5. 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

30 June 2005

## INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF BARRHEAD INTERNATIONAL LIMITED

We have audited the financial statements of Barrhead International Limited for the year ended 2 April 2005 as set out on pages 5 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 7.

*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 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 Accounting 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 INTERNATIONAL LIMITED

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARRHEAD INTERNATIONAL LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 2 April 2005 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

30 June 2005

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 2 April 2005

	Note	2005 £	2004 £
Administrative expenses		28	(29)
OPERATING (LOSS)/PROFIT		28	(29)
Exceptional items	2	(67,000)	51,000
(LOSS)/PROFIT FOR YEAR BEFORE AND AFTER TAXATION	8	(66,972)	50,971

All disclosures relate to continuing operations.

There are no recognised gains or losses other than the (loss)/profit for the above financial years.

The statement of accounting policies and the notes on pages 7 to 11 form part of these accounts.

## BALANCE SHEET

2 April 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investment	3	746,000	813,000
<b>CURRENT ASSETS</b>			
Debtors:			
Amounts falling due after more than one year	4	21,312	21,312
Cash in bank and on hand		68	68
		<u>21,380</u>	<u>21,380</u>
CREDITORS: Amounts falling due within one year	5	-	28
<b>NET CURRENT ASSETS</b>		<u>21,380</u>	<u>21,352</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>767,380</u>	<u>834,352</u>
CREDITORS: Amounts falling due after more than one year	6	300,000	300,000
<b>NET ASSETS</b>		<u><u>467,380</u></u>	<u><u>534,352</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	1,514,906	1,514,906
Profit and loss account	8	(1,047,526)	(980,554)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	9	<u><u>467,380</u></u>	<u><u>534,352</u></u>

The accounts were approved by the Board of Directors on 30 June 2005 and signed on its behalf by:



I L HAY

Director

The statement of accounting policies and the notes on pages 7 to 11 form part of these accounts.



## NOTES ON THE ACCOUNTS

Year to 2 April 2005

## 1. Accounting policies

## (i) Accounting Convention

The accounts have been prepared under the historical cost convention.

## (ii) Group Accounts

The accounts present information about the company as an individual undertaking and not about its group.

Group accounts have not been prepared as permitted under Section 248(1) of the Companies Act 1985 on the grounds that the group qualifies as a small group.

2. Exceptional items	2005 £	2004 £
Movement in provision for diminution in value	<u>(67,000)</u>	<u>51,000</u>
3. Investment		
Subsidiary undertaking:		
Cost		
At 28 March 2004 and 2 April 2005		<u>1,769,907</u>
Provision for diminution in value		
At 28 March 2004		956,907
Increase in provision		<u>67,000</u>
At 2 April 2005		<u>1,023,907</u>
Net book value		
At 2 April 2005		<u>746,000</u>
At 27 March 2004		<u>813,000</u>

## NOTES ON THE ACCOUNTS

Year to 2 April 2005

## 3. Investment

The subsidiary undertaking at 2 April 2005 was:

Company	Description of shares	Proportion of issued shares
Barrhead Sanitary Ware Ltd	Ordinary Voting Shares of £1	100%
	Ordinary Non-Voting Shares of £1	80%
	Redeemable Preference Shares of £1	100%

Aggregate capital and reserves and profit for the year to 2 April 2005 were as follows:

	Aggregate Capital and Reserves £	Profit/(Loss) for the year £
Barrhead Sanitary Ware Ltd	746,000	(158,000)
4. Debtors: amounts falling due after more than one year	2005 £	2004 £
Due from subsidiary undertaking	21,312	21,312
5. Creditors: amounts falling due within one year		
Accruals	-	28

## NOTES ON THE ACCOUNTS

Year to 2 April 2005

6.	Creditors: amounts falling due after more than one year	2005 £	2004 £
	Loan notes	<u>300,000</u>	<u>300,000</u>

As at 2 April 2005 subordinated guaranteed unsecured loan notes 2002 amounting to £300,000 were due to Baxi Group Limited, the former parent undertaking of Barrhead Sanitary Ware Limited. These loan notes are repayable under the following terms:

- (a) One half of any taxation saved by Barrhead Sanitary Ware Limited in utilising tax losses which arose to 9 October 1997 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 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 notes an amount equal to the taxation saved by Baxi Group Limited as a result of the surrender of group relief.

7.	Share capital	2005 £	2004 £
	Authorised		
	45,000 'A' Ordinary shares of £1 each	45,000	45,000
	1,469,906 'B' Ordinary shares of £1 each	1,469,906	1,469,906
	15,000 'C' Ordinary shares of £1 each	15,000	15,000
		<u>1,529,906</u>	<u>1,529,906</u>
	Allotted and fully paid		
	45,000 'A' Ordinary shares of £1	45,000	45,000
	1,469,906 'B' Ordinary shares of £1 each	1,469,906	1,469,906
		<u>1,514,906</u>	<u>1,514,906</u>

## NOTES ON THE ACCOUNTS

Year to 2 April 2005

## 7. Share capital (cont'd)

The rights attaching to the 'A' ordinary shares of £1 each, the 'B' ordinary shares of £1 each and the 'C' ordinary shares of £1 each are as follows:

- (a) The company may by ordinary resolution declare dividends in respect of the 'A' shares. The 'B' shares and the 'C' shares shall carry no rights to receive a dividend.
- (b) On a return of assets in liquidation or capital reduction or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied as follows:-
  - (i) first, in paying to the holders of the 'A' shares the sum of £1 per share; and
  - (ii) the balance of such assets shall be distributed equally amongst the holders of the 'A' shares, the 'B' shares and the 'C' shares (if any) in proportion to the number of shares held by them and pro rata to the capital paid up thereon, subject to a maximum of £1,469,906 in respect of all the 'B' shares and the 'C' shares in issue at the relevant time.
- (c)
  - (i) the 'A' shareholders shall have full rights to attend and vote at general meetings of the company and to consent to written resolutions of the company either in person or by proxy by virtue of or in respect of their holding of shares.
  - (ii) the 'B' shareholders shall have the right to receive notice of all general meetings, or proposed members' written resolutions, of the company but shall have no right to attend or vote at such meeting or to consent to such proposed written resolution either in person or by proxy by virtue of or in respect of their holding of 'B' shares.
  - (iii) the 'C' shareholders (if any) shall have the same rights as to voting as the 'A' shareholders.
- (d) Whenever the capital of the company is divided into different classes of shares the special rights attached to any class may be varied or cancelled either whilst the company is a going concern or during or in contemplation of a winding up, only with the consent in writing of all the holders of the issued shares of that class.
- (e) Immediately prior to any sale, disposal or listing, the 'B' shares in issue at the relevant time (if any) shall be converted into 'C' shares in such number as is necessary so that the total number of issued 'C' shares represents one-third of the total number of 'A' shares in issue immediately before the conversion of the 'B' shares takes place. The proceeds of such sale, disposal or listing shall be applied as follows:-
  - (i) first, in paying to the 'A' shareholders the sum of £1 per share; and
  - (ii) the balance of such proceeds shall be distributed equally amongst the holders of the 'A' shares and the 'C' shares in the same proportions as the number of shares held by them respectively bears to the total number of issued shares in the capital of the company immediately after the conversion of the 'B' shares takes place, subject to a maximum of £1,469,906 in respect of all the 'C' shares.

## NOTES ON THE ACCOUNTS

Year to 2 April 2005

8.	Profit and loss account	2005 £	2004 £
	At 28 March 2004	(980,554)	(1,031,525)
	(Loss)/profit for year	(66,972)	50,971
	At 2 April 2005	<u>(1,047,526)</u>	<u>(980,554)</u>
9.	Reconciliation of movements in shareholders' funds	2005 £	2004 £
	Opening shareholders' funds	534,352	483,381
	(Loss)/profit for year	(66,972)	50,971
	Shares issued in year	-	-
	Closing shareholders' funds	<u>467,380</u>	<u>534,352</u>

## 10. Related Party Transactions

As at the year end £21,312 (2004: £21,312) was due from Barrhead Sanitary Ware Limited.

## 11. Contingent liability

The company has guaranteed repayment of a loan due by its subsidiary undertaking Barrhead Sanitary Ware Limited to Baxi Group Limited. This is payable by Barrhead Sanitary Ware Limited in weekly instalments of £2,500. The amount outstanding as at 2 April 2005 is £60,000.

## 12. Post balance sheet event

Agreement has been reached with Utopia Group Limited for the acquisition of a majority shareholding in the company. This transaction is due to be completed in July 2005.

Immediately prior to the sale the agreement will trigger the conversion of the 1,469,906 'B' ordinary shares of £1 each to 15,000 'C' ordinary shares of £1 each.

Under the terms of the agreement 44,000 'A' ordinary shares of £1 each and 15,000 'C' ordinary shares of £1 each will be acquired by Utopia Group Limited for a consideration of £80,000 and the £300,000 subordinated guaranteed unsecured loan notes 2002 will be bought by Utopia Group Limited for a consideration of £60,000. In addition, Utopia Group Limited will have an option to purchase the remaining 1,000 'A' ordinary shares after the expiry of an earn-out period ending on 30 June 2007.