

Barclay & Mathieson Limited
Directors' report and financial statements
for the year ended 31 August 2003

Registered Number SC30987



Barclay & Mathieson Limited

Directors' report and financial statements for the year ended 31 August 2003

Contents

Directors' report for the year ended 31 August 2003.....	1
Independent auditors' report to the members of Barclay & Mathieson Limited.....	3
Consolidated profit and loss account for the year ended 31 August 2003.....	4
Reconciliation of movements in shareholders' funds.....	5
Consolidated balance sheet as at 31 August 2003	6
Balance sheet as at 31 August 2003	7
Consolidated cash flow statement for the year ended 31 August 2003	8
Accounting policies.....	9
Notes to the financial statements for the year ended 31 August 2003.....	10

Barclay & Mathieson Limited

Directors' report for the year ended 31 August 2003

The directors submit their annual report and the audited financial statements of the company and the group for the year ended 31 August 2003.

Principal activities and business review

The company and the group trade principally as steel stockholders and fabricators. During the year, the company began development of a new 4.5 acre site in Chorley, Lancashire. This has resulted in significant assets under construction which have been funded by a term loan from the company's bankers. The project is scheduled for completion in December 2003.

Results and dividends

The profit for the year, after taxation of the group amounted to £275,380 (2002: £410,625).

The directors do not propose payment of a dividend for the year (2002: £nil). The profit for the financial year of £275,380 (2002: £410,625) has been transferred to reserves.

Directors and their interests

A list of the directors who served throughout the year is given below together with their interests (including those of their spouses and interests held in family trusts) in the share capital of the company.

	2003 Number	2002 Number
Mrs A E Dykes (Chairperson)	100	100
Mr P P Bradburn	950	765
Mr R G Kyle (appointed 16 January 2003)	410	300
Mr M J Norrie	275	275
Mr J Walker	4,595	4,595

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Barclay & Mathieson Limited

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 7 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the group will be proposed at the annual general meeting.

By order of the Board



P P Bradburn

18 November 2003

Registered office:
180 Hardgate Road
Glasgow
G51 4TB

Barclay & Mathieson Limited

Independent auditors' report to the members of Barclay & Mathieson Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 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 of the state of the company's affairs at 31 August 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

18 November 2003

Barclay & Mathieson Limited

Consolidated profit and loss account for the year ended 31 August 2003

	Note	2003 £	2002 £
Turnover – including share of associate		22,755,067	21,063,450
Less share of associate turnover		153,442	-
Turnover - continuing operations	1	22,601,625	21,063,450
Cost of sales		(17,413,138)	(16,045,399)
Gross profit		5,188,487	5,018,051
Net operating expenses		(4,506,226)	(4,205,570)
Operating profit		682,261	812,481
Share of operating loss of associate		(5,309)	-
Operating profit including associate		676,952	812,481
Interest receivable		1,727	622
Interest payable	6	(190,249)	(209,921)
Profit on ordinary activities before taxation	2	488,430	603,182
Tax on profit on ordinary activities	7	(213,050)	(192,557)
Profit for the financial year	18	275,380	410,625

There were no gains or losses other than the profit shown above for each of the financial years, as reported under the historical cost convention.

Barclay & Mathieson Limited

Reconciliation of movements in shareholders' funds

	Group	Group	Company	Company
	2003	2002	2003	2002
	£	£	£	£
Profit attributable to shareholders	275,380	410,625	314,419	424,026
Shareholders' funds at 1 September 2002	3,340,469	2,929,844	3,464,124	3,040,098
Shareholders' funds at 31 August 2003	3,615,849	3,340,469	3,778,543	3,464,124

Barclay & Mathieson Limited

Consolidated balance sheet as at 31 August 2003


	Note	2003 £	2002 £
Fixed assets			
Tangible assets	8	4,611,076	3,006,564
Investments	9	39,487	-
		4,650,563	3,006,564
Current assets			
Stock	10	3,337,125	2,934,762
Debtors	11	5,229,500	5,350,358
Investments	12	454	825
Cash at bank and in hand		15,717	14,336
		8,582,796	8,300,281
Creditors: amounts falling due within one year	13	(8,060,325)	(7,571,660)
Net current assets		522,471	728,621
Total assets less current liabilities		5,173,034	3,735,185
Creditors: amounts falling due after more than one year	14	(1,336,685)	(202,716)
Provisions for liabilities and charges	16	(220,500)	(192,000)
Net assets		3,615,849	3,340,469
Capital and reserves			
Called up share capital	17	8,600	8,600
Capital redemption reserve		21,400	21,400
Profit and loss account	18	3,585,849	3,310,469
Total shareholders' funds		3,615,849	3,340,469

Barclay & Mathieson Limited

Balance sheet as at 31 August 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	8	4,575,348	2,966,392
Investments	9	1,738,992	1,691,792
		6,314,340	4,658,184
Current assets			
Stock	10	3,304,966	2,905,367
Debtors	11	5,290,848	5,423,383
Investments	12	454	825
Cash at bank and in hand		15,678	14,284
		8,611,946	8,343,859
Creditors: amounts falling due within one year	13	(7,899,053)	(7,451,698)
Net current assets		712,893	892,161
Total assets less current liabilities		7,027,233	5,550,345
Creditors: amounts falling due after more than one year	14	(3,028,190)	(1,894,221)
Provisions for liabilities and charges	16	(220,500)	(192,000)
Net assets		3,778,543	3,464,124
Capital and reserves			
Called up share capital	17	8,600	8,600
Capital redemption reserve		21,400	21,400
Profit and loss account	18	3,748,543	3,434,124
Total shareholders' funds		3,778,543	3,464,124

The financial statements on pages 4 to 27 were approved by the board of directors on 18 November 2003 and were signed on its behalf by:


J Walker
Director

Barclay & Mathieson Limited

Consolidated cash flow statement for the year ended 31 August 2003

		Group		Group	
	Note	2003	2003	2002	2002
		£	£	£	£
Net cash inflow from operating activities	20		72,508		1,188,870
Returns on investment and servicing of finance					
Interest received		1,565		622	
Interest paid on finance lease		(2,968)		(2,968)	
Interest paid		(186,015)		(206,953)	
Net cash flow from returns on investment and servicing of finance			(187,418)		(209,299)
Taxation			(172,674)		(107,554)
Capital expenditure and financial investment					
Sale of tangible fixed assets		34,245		43,012	
Repayment of loan from employee benefit trust		175,000		110,000	
Purchase of tangible fixed assets		(1,962,567)		(299,966)	
			(1,753,322)		(146,954)
Acquisitions and disposals					
Investment in associate			(47,200)		-
Net cash flow before financing			(2,088,106)		725,063
Financing					
Capital element of finance lease rental		(19,031)		(19,031)	
Term loan advanced		1,328,000		-	
Term loan repaid		(350,000)		(557,085)	
Net cash inflow/(outflow) from financing			958,969		(576,116)
(Decrease)/increase in net cash	21		(1,129,137)		148,947

Barclay & Mathieson Limited

Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of the company and its subsidiaries for the year.

The exemption to omit the parent company's profit and loss account from the group's financial statements has been taken. The profit after tax of the parent company for the financial year was £314,419 (2002: £424,026).

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less estimated residual values of each asset, other than land, on a straight-line basis at the following annual rates:

Buildings	-	2.5%
Vehicles, plant and machinery	-	10% - 25%
Fixtures and fittings	-	10% - 25%

Investments

Fixed asset investments and current asset investments are stated at cost, less any provision necessary for diminution in value.

Stocks

Stocks of steel and raw materials are valued at the lower of cost and net realisable value. Cost includes transport inwards.

Work-in-progress is valued at the lower of cost and net realisable value. Cost comprises the cost of direct material and labour with an appropriate addition for production overheads.

Deferred taxation

Deferred taxation, on timing differences between profits computed for taxation purposes and profits as stated in the financial statements, is fully provided for.

Pensions

The costs of pension schemes providing benefits based on final pensionable pay are charged to the profit and loss account so as to spread the cost of pensions evenly over employees' remaining working lives with the group.

Leasing and hire purchase commitments

Assets held under hire purchase contracts, where substantially all the risks and rewards of ownership of the asset have passed to the company are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the hire purchase contracts are charged to the profit and loss account over the period of the hire purchase contracts on a straight-line basis.

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

Barclay & Mathieson Limited

Notes to the financial statements for the year ended 31 August 2003

1 Turnover and analysis of profit and loss account

Turnover, all of which is continuing, represents the aggregate amount receivable in respect of goods sold, excluding value added tax, and arises wholly in the United Kingdom from the group's principal activity of steel stockholding and fabrication.

2 Profit on ordinary activities before taxation

	2003	2002
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	323,058	332,766
Auditors' remuneration – audit	24,750	24,000
Operating lease rentals - hire of vehicles	31,688	49,661
Operating lease rentals – land and buildings	105,193	96,674
Loss/(gain) on sale of tangible fixed assets	752	(28,575)
Contribution to employee benefit trust	175,000	155,000

Auditors' remuneration in respect of the audit of the company's statutory financial statements amounted to £21,500 (2002: £20,850).

Fees paid to the auditors in respect of other services provided amounted to £28,410 (2002: £6,895).

3 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2003	2002
	Number	Number
	175	177

Barclay & Mathieson Limited

4 Employee costs

	2003	2002
	£	£
Wages and salaries	3,165,818	3,063,273
Social security costs	228,887	206,866
Other pensions costs (note 23)	573,388	324,853
Staff costs	3,968,093	3,594,992

5 Directors' emoluments

Directors' emoluments, excluding pension contributions, amounted to £292,375 (2002: £249,219).

Company contributions paid to money purchase pension schemes in the year were £37,029 (2002: £35,485).

Retirement benefits are accruing to four directors (2002: three) under a defined contribution (money purchase) pension scheme and to three directors (2002: two) under a defined benefit scheme.

Total emoluments attributable to the highest paid director were £101,387 (2002: £99,259). Company contributions paid to a money purchase pension scheme in respect of the highest paid director were £26,454 (2002: £26,454). No benefits are accruing to him under a defined benefits scheme.

6 Interest payable

	2003	2002
	£	£
Interest on bank loans and overdrafts	186,015	206,953
Interest on hire purchase agreement	2,968	2,968
	188,983	209,921
Attributable to associate	1,266	-
	190,249	209,921

Barclay & Mathieson Limited

7 Tax on profit on ordinary activities

	2003 £	2002 £
Taxation on the profit for the year		
UK corporation tax at 30% (2002: 30%)	184,059	179,052
Prior year adjustment for over provision	(809)	(3,495)
Total current tax	183,250	175,557
Attributable to associate	1,300	-
Deferred tax		
Current year charge (note 16)	28,500	17,000
Tax on profit on ordinary activities	213,050	192,557

Factors affecting tax charge for the year:

	2003 £	2002 £
Profit before tax	488,430	603,182
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2002: 30%)	146,529	180,955
Effects of:		
Marginal relief	(968)	(3,586)
Expenses not deductible for tax purposes	55,695	2,884
Depreciation for the year in excess of capital allowances	2,936	3,194
Other	5,349	4,014
Short term timing differences	(27,406)	(10,292)
Prior period adjustments to current tax charge	(809)	(3,495)
Attributable to loss by associate	1,924	-
Group relief	-	1,883
Total current tax charge for the year	183,250	175,557

Barclay & Mathieson Limited

8 Tangible assets

Group	Land and buildings £	Vehicles, plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost					
At 1 September 2002	3,078,550	2,163,713	589,103	-	5,831,366
Additions	824,815	298,503	35,275	803,974	1,962,567
Disposals	-	(173,404)	(61,506)	-	(234,910)
At 31 August 2003	3,903,365	2,288,812	562,872	803,974	7,559,023
Accumulated depreciation					
At 1 September 2002	698,972	1,629,555	496,275	-	2,824,802
Charge for the year	60,987	229,761	32,310	-	323,058
Disposals	-	(139,791)	(60,122)	-	(199,913)
At 31 August 2003	759,959	1,719,525	468,463	-	2,947,947
Net book amount					
At 31 August 2003	3,143,406	569,287	94,409	803,974	4,611,076
At 31 August 2002	2,379,578	534,158	92,828	-	3,006,564
Company					
Cost					
At 1 September 2002	3,078,550	2,020,862	583,258	-	5,682,670
Additions	824,815	287,413	35,275	803,974	1,951,477
Disposals	-	(160,761)	(61,506)	-	(222,267)
At 31 August 2003	3,903,365	2,147,514	557,027	803,974	7,411,880
Accumulated depreciation					
At 1 September 2002	698,972	1,526,126	491,180	-	2,716,278
Charge for the year	60,987	214,477	32,060	-	307,524
Disposals	-	(127,148)	(60,122)	-	(187,270)
At 31 August 2003	759,959	1,613,455	463,118	-	2,836,532
Net book amount					
At 31 August 2003	3,143,406	534,059	93,909	803,974	4,575,348
At 31 August 2002	2,379,578	494,736	92,078	-	2,966,392

Barclay & Mathieson Limited

8 Tangible assets (continued)

Tangible fixed assets include the following assets held under hire purchase contracts.

	2003	2002
	£	£
Plant and machinery		
Cost	80,401	80,401
Depreciation	(60,303)	(40,202)
Net book value	20,098	40,199

9 Fixed asset investments

Company	Investment in subsidiary undertaking	Amounts due from subsidiary undertaking	Total
	£	£	£
Cost			
At 1 September 2002 and 31 August 2003	1,971,792	1,300,564	3,272,356
Provisions			
At 1 September 2002 and 31 August 2003	280,000	1,300,564	1,580,564
Net book amount			
At 31 August 2003	1,691,792	-	1,691,792
At 31 August 2002	1,691,792	-	1,691,792

The group's subsidiary undertakings, which are wholly owned and operating within the United Kingdom are:

	Country of registration	Class of shares held	Nature of business
Clydeside Steel Fabrications Limited	Scotland	Ordinary	Steel fabricator
B & M Steel Limited	England and Wales	Ordinary	Dormant
Tatham Miller Limited	England and Wales	Ordinary	Dormant
Tatham Steels Limited	England and Wales	Ordinary	Dormant
Liverpool Steel Services Limited	England and Wales	Ordinary	Dormant

Barclay & Mathieson Limited

9 Fixed asset investments (continued)

Investment in associates

During the year the company acquired an interest in an associate, Clyde Corrosion Control Limited. The investment in that company is as follows:

	Group	Company
	£	£
Share capital: ordinary shares (50%)	32,500	32,500
Loan account: (50%)	14,700	14,700
	47,200	47,200
Less provision for losses to date	(7,713)	-
Total investment in associate	39,487	47,200

Clyde Corrosion Control Limited is engaged in the surface treatment of metals. It began to trade in July 2002 and made up its accounts to 31 July 2003. During the year Barclay and Mathieson Limited advanced an amount of £55,388 to Clyde Corrosion Control Limited. This remains outstanding at the year end and has been disclosed in note 11.

10 Stocks

	Group	Group	Company	Company
	2003	2002	2003	2002
	£	£	£	£
Raw materials	14,874	15,823	-	-
Work in progress	17,285	13,572	-	-
Finished goods and goods for resale	3,304,966	2,905,367	3,304,966	2,905,367
	3,337,125	2,934,762	3,304,966	2,905,367

In the opinion of the directors the replacement cost of stock is not materially different from purchase price or production cost.

Barclay & Mathieson Limited

11 Debtors

	Group	Group	Company	Company
	2003	2002	2003	2002
	£	£	£	£
Debtors – amounts falling due within one year				
Trade debtors	4,469,131	4,393,905	4,331,289	4,270,362
Other debtors, prepayment and accrued income	529,981	606,453	484,525	603,043
Amounts owed by subsidiary undertakings	-	-	244,646	199,978
Amounts owed by associate	55,388	-	55,388	-
	5,054,500	5,000,358	5,115,848	5,073,383
Debtors – amounts falling due after more than one year				
Loan to employee benefit trust	175,000	350,000	175,000	350,000
	5,229,500	5,350,358	5,290,848	5,423,383

The loan to the employee benefit trust is an interest free loan, repayable on demand, to the Ranfurly Trust which holds Barclay & Mathieson Limited shares.

The purpose of establishing the Trust Fund was to improve the motivation, loyalty and performance of the employees of the company.

The potential beneficiaries of the Trust Fund include all employees and directors of the company, and their spouses, children and grandchildren.

Application of the Trust Fund is entirely at the discretion of the trustees of the Fund.

12 Current asset investments

	Group and Company
	£
All investments are in UK listed companies	
Cost	
At 1 September 2002 and 31 August 2003	1,350
Provisions for diminution in value	
At 1 September 2002	525
Increase in provision	371
At 31 August 2003	896
Net book value	
At 31 August 2003	454
At 31 August 2002	825

Barclay & Mathieson Limited

13 Creditors – Amounts falling due within one year

	Group	Group	Company	Company
	2003	2002	2003	2002
	£	£	£	£
Bank overdrafts	4,178,607	3,048,089	4,108,776	2,998,071
Current instalments due on bank loan (note 15)	175,000	350,000	175,000	350,000
Trade creditors	2,778,923	3,114,969	2,741,102	3,101,286
Amounts owed to subsidiary undertakings	-	-	13,290	-
Other taxation and social security	310,035	373,208	281,163	335,691
Hire purchase creditor falling due in one year (note 15)	19,031	19,031	19,031	19,031
Other creditors and accruals	372,153	450,363	328,115	427,619
Corporation tax	226,576	216,000	232,576	220,000
	8,060,325	7,571,660	7,899,053	7,451,698

The bank overdrafts and loans are secured by a bond and floating charge over the assets of Barclay & Mathieson Limited, Clydeside Steel Fabrications Limited and a debenture over one property. In addition, the parent company has issued a letter of unlimited guarantee over the overdraft of Clydeside Steel Fabrications Limited.

14 Creditors – Amounts falling due after more than one year

	Group	Group	Company	Company
	2003	2002	2003	2002
	£	£	£	£
Amount owed to subsidiary undertaking	-	-	1,691,505	1,691,505
Hire purchase creditors (note 15)	8,685	27,716	8,685	27,716
Bank loans (note 15)	1,328,000	175,000	1,328,000	175,000
	1,336,685	202,716	3,028,190	1,894,221

Barclay & Mathieson Limited

15 Analysis of maturity of debt

	Note	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Due in less than one year					
Hire purchase creditors	13	19,031	19,031	19,031	19,031
Bank loans	13	175,000	350,000	175,000	350,000
Due within one to two years					
Hire purchase creditors	14	8,685	19,031	8,685	19,031
Bank loans	14	-	175,000	-	175,000
Due within two to five years					
Hire purchase creditor	14	-	8,685	-	8,685
Bank loans	14	1,328,000	-	1,328,000	-
Amount owed to subsidiary undertaking	14	-	-	1,691,505	1,691,505
		1,530,716	571,747	3,222,221	2,263,252

16 Provisions for liabilities and charges

	Group £	Company £
Movements on the deferred tax account during the year were as follows:		
At 1 September 2002	192,000	192,000
Transfer from profit and loss account:		
- current year (note 7)	28,500	28,500
At 31 August 2003	220,500	220,500

Barclay & Mathieson Limited

16 Provisions for liabilities and charges (continued)

The amounts provided at 30% (2002: 30%) and total potential liability are:

	Amount provided		Total potential liability	
	Group £	Company £	Group £	Company £
Excess of capital allowances over depreciation	141,500	141,500	141,500	141,500
Other timing differences	79,000	79,000	79,000	79,000
	220,500	220,500	220,500	220,500

17 Called up share capital

	2003 £	2002 £
Authorised		
200,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid		
8,600 ordinary shares of £1 each	8,600	8,600

18 Profit and loss account

	Group £	Company £
At 1 September 2002	3,310,469	3,434,124
Retained profit for the financial year	275,380	314,419
At 31 August 2003	3,585,849	3,748,543

Barclay & Mathieson Limited

19 Financial commitments

The annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Leases expiring within:				
One year	39,000	-	-	11,363
Two to five years	54,100	88,100	-	16,188
Over five years	10,800	10,800	-	-
	103,900	98,900	-	27,551

20 Reconciliation of operating profit to net cash flow from operating activities

	2003	2002
	£	£
Continuing operations		
Operating profit	682,261	812,481
Depreciation	323,058	332,766
Gain on disposal of fixed tangible assets	752	(28,575)
Increase in provision against current asset investments	371	135
Increase in stocks	(402,363)	(164,791)
Increase in debtors	(112,100)	(190,929)
(Decrease)/increase in creditors	(419,471)	427,783
Net cash flow from continuing operations	72,508	1,188,870

Barclay & Mathieson Limited

21 Reconciliation of net cash flow to movement in net debt

	2003 £	2002 £
Increase/(decrease) in cash in the year	(1,129,137)	148,947
Capital element of finance lease	19,031	19,031
Repayment of loan	350,000	557,085
Change in net debt resulting from cash flows	(760,106)	725,063
New loans advanced	(1,328,000)	-
Net debt at 1 September 2002	(3,605,500)	(4,330,563)
Net debt at 31 August 2003	(5,693,606)	(3,605,500)

22 Analysis of changes in net debt

	At 1 September 2002 £	Cash flow £	Other non- cash changes £	At 31 August 2003 £
Cash at bank and in hand	14,336	1,381	-	15,717
Overdrafts	(3,048,089)	(1,130,518)	-	(4,178,607)
Subtotal	(3,033,753)	(1,129,137)	-	(4,162,890)
Debt due after 1 year	(175,000)	(1,153,000)	-	(1,328,000)
Debt due within 1 year	(350,000)	175,000	-	(175,000)
Finance leases	(46,747)	19,031	-	(27,716)
Total	(3,605,500)	(2,088,106)	-	(5,693,606)

23 Pension scheme

The group operates two pension schemes, the No 1 scheme providing benefits based on final pensionable pay and the No 2 scheme, a defined benefits scheme with a money purchase underpin. The assets of the schemes are held separately from those of the group, being invested by professional investment managers.

Barclay & Mathieson Limited

23 Pension scheme (continued)

The most recent valuation of scheme No 1 was completed at 1 September 2001 by a qualified actuary.

The total pension charge for the year for all arrangements was £573,388 (2002: £324,853). At 31 August 2003 there are amounts recorded in other debtors representing payment of contributions in advance of £394,198 (2002: £354,524).

The financial assumptions used to calculate scheme liabilities under FRS17 are:

	Projected unit	
	2003	2002
Discount rate	5.39%	5.5%
Inflation rate	2.75%	2.5%
Increases to pension in payment:		
Post 6 April 1997 accrual	2.75%	2.5%
Rate of revaluation of deferred pensions in excess of GMP	2.75%	2.5%
Rate of increase in salaries	4.0%	4.0%

The assets in the scheme and the expected rate of return were:	Long-term rate of return expected	Value at 31 August 2003	Long-term rate of return expected	Value at 31 August 2002
		£		£
Equities	8.75%	3,973,000	8.75%	3,430,000
Bonds	5.25%	395,000	5.25%	469,000
Other	4.00%	216,000	4.00%	246,000
Total market value of assets		4,584,000		4,145,000
Present value of scheme liabilities		(6,459,000)		(5,575,000)
Deficit in the scheme		(1,875,000)		(1,430,000)
Related deferred tax asset		562,500		429,000
Net pension liability		(1,312,500)		(1,001,000)

Barclay & Mathieson Limited

23 Pension scheme (continued)

Under the transitional rules of FRS 17, the following are disclosed as amounts that would be recognised in the current year's profit and loss account and STRGL if FRS 17 had been adopted in full.

Analysis of the amount charged to operating profit in respect of defined benefit scheme:

	2003	2002
	£	£
Current service	195,000	209,000
Past service cost	-	-
Total operating charge	195,000	209,000

Analysis of the amount credited to other finance income:

	2003	2002
	£	£
Expected return on pension scheme assets	344,000	307,000
Interest on pension scheme liabilities	(309,000)	(281,000)
Net return	35,000	26,000

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:

	2003	2002
	£	£
Actual return less expected return on pension scheme assets	(143,000)	(852,000)
Experience gains and losses arising on the scheme liabilities	(261,000)	(233,000)
Change in assumptions underlying the present value of the scheme liabilities	(420,000)	(168,000)
Actuarial loss recognised in the STRGL	(824,000)	(1,253,000)

Barclay & Mathieson Limited

23 Pension scheme (continued)

Movement in deficit during the year:

	2003 £	2002 £
Deficit in scheme at beginning of the year	(1,430,000)	(239,000)
Movement:		
Current service cost	(195,000)	(209,000)
Contributions	539,000	245,000
Past service costs	-	-
Other finance income	35,000	26,000
Actuarial loss	(824,000)	(1,253,000)
Deficit in scheme at end of year	(1,875,000)	(1,430,000)

The company operates the No 2 defined benefit scheme with a money purchase underpin. This is the second year information has been disclosed about this scheme under the FRS 17 transitional rules.

An actuarial valuation was carried out at 6 April 2001 by a qualified actuary. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	2003	2002
Discount rate	5.5%	5.5%
Inflation rate	2.7%	2.5%
Increases to pension in payment:		
Post 6 April 1997 accrual	2.7%	2.5%
Rate of revaluation of deferred pensions	2.5%	2.5%
Guaranteed minimum pensions accrued after 6 April 1988	3.0%	2.1%
Salary increases	4.2%	4.0%

Barclay & Mathieson Limited

23 Pension scheme (continued)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected	Value at 31 August 2003 £	Long-term rate of return expected	Value at 31 August 2002 £
Equities	5.3%	507,000	7.5%	518,600
Bonds	3.3%	82,000	5.5%	72,400
Other	3.3%	38,000	5.5%	39,100
Total market value of assets		627,000		630,100
Present value of scheme liabilities		(1,025,000)		(915,300)
Deficit in the scheme		(398,000)		(285,200)
Related deferred tax asset		119,400		85,560
Net pension liability		(278,600)		(199,640)

Under year two transitional rules of FRS 17, the following are disclosed as amounts that would be recognised in the current year's profit and loss account and STRGL if FRS 17 had been adopted in full.

Analysis of the amount charged to operating profit in respect of defined benefit scheme:

	2003 £
Current service	57,000
Past service cost	-
Total operating charge	57,000

Analysis of the amount credited to other finance income:

	2003 £
Expected return on pension scheme assets	35,000
Interest on pension scheme liabilities	(51,000)
Net return	(16,000)

Barclay & Mathieson Limited

23 Pension scheme (continued)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:

	2003 £
Actual return less expected return on pension scheme assets	(20,000)
Experienced gains and losses arising on the scheme liabilities	(3,000)
Change in assumptions underlying the present value of the scheme liabilities	(32,000)
Actuarial loss recognised in the STRGL	(55,000)

Movement in deficit during the year:

	2003 £
Deficit in scheme at beginning of the year	(285,200)
Movement:	
Current service cost	(57,000)
Contributions	15,000
Past service costs	-
Other finance income	(16,000)
Actuarial loss	(54,800)
Deficit in scheme at end of year	(398,000)

Barclay & Mathieson Limited

23 Pension scheme (continued)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 August 2003 would be as follows:

	2003 £	2002 £
Net assets excluding pension liability	3,615,849	3,340,469
Pension liability – scheme 1	(1,312,500)	(1,001,000)
Pension liability – scheme 2	(278,600)	(199,640)
Net assets including pension liabilities	2,024,749	2,139,829
Profit and loss reserve excluding pension liability	3,585,849	3,310,469
Pension liability – scheme 1	(1,312,500)	(1,001,000)
Pension liability – scheme 2	(278,600)	(199,640)
Profit and loss reserve	1,994,749	2,109,829

24 Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Barclay & Mathieson Group.

In the ordinary course of business, purchases of services from Clyde Corrosion Control Limited, an associate company, totalled £38,401.

There were no other related party transactions in the year.