

BARCLAY & MATHIESON LIMITED
(Registered Number SC30987)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 AUGUST 1997



BARCLAY & MATHIESON LIMITED

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company and the group for the year ended 31 August 1997.

PRINCIPAL ACTIVITIES

The company and the group trade principally as steel stockholders and fabricators.

RESULTS AND DIVIDENDS

The profit for the year, after taxation of the group amounted to £431,807 (1996: £452,551).

During the year no interim ordinary dividend was paid (1996 - £50,000). The directors do not propose a final dividend for the year (1996 - £131,250). The profit for the financial year of £431,807 (1996 - £271,301) 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.

	31 August <u>1997</u> Number	31 August <u>1996</u> Number
Mr P P Bradburn	355	150
Mrs A E Dykes (Chairperson)	100	100
Mr J Walker	4,825	4,825

TANGIBLE FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 9 to the financial statements.

The directors are of the opinion that the market value of the land and buildings of the group is in excess of the book value as reported in the financial statements.

PURCHASE OF OWN SHARES

During the year the company purchased and subsequently cancelled 3,900 of its own £1 ordinary shares (31% of original called up share capital). The consideration paid by the company for these shares was £1,482,000. The share buyback enabled the shareholders involved to realise their investment.

BARCLAY & MATHIESON LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office. A resolution that they be re-appointed will be proposed at the annual general meeting.

By Order of the Board



P P BRADBURN
Secretary
18 November 1997

Registered office:
180 Hardgate Road
Glasgow G51 4TB

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF BARCLAY & MATHIESON LIMITED

We have audited the financial statements on pages 4 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 and the group'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 affairs of the company and the group as at 31 August 1997 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.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

18 November 1997

BARCLAY & MATHIESON LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1997

	Notes	1997 £	1996 £
TURNOVER	2	14,364,505	14,318,031
Cost of sales		(11,246,453)	(11,527,962)
GROSS PROFIT		3,118,052	2,790,069
Distribution costs		(1,028,697)	(1,040,689)
Administrative expenses		(1,274,465)	(1,010,259)
		<u>(2,303,162)</u>	<u>(2,050,948)</u>
OPERATING PROFIT		814,890	739,121
Interest receivable		3,443	1,009
Interest payable	5	<u>(220,317)</u>	<u>(79,730)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	598,016	660,400
Tax on profit on ordinary activities	7	<u>(166,209)</u>	<u>(207,849)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		431,807	452,551
Dividends	8	<u>-</u>	<u>(181,250)</u>
PROFIT FOR THE FINANCIAL YEAR	18	<u>431,807</u>	<u>271,301</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	1,927,706	1,998,356
CURRENT ASSETS			
Stocks	11	1,830,218	1,935,309
Debtors	12	4,602,683	3,260,502
Investments	13	8,050	6,720
Cash at bank and in hand		<u>8,960</u>	<u>92,978</u>
		6,449,911	5,295,509
CREDITORS - Amounts falling due within one year	14	<u>(4,187,031)</u>	<u>(3,445,402)</u>
NET CURRENT ASSETS		<u>2,262,880</u>	<u>1,850,107</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,190,586	3,848,463
CREDITORS - Amounts falling due after more than one year	15	(1,425,591)	(30,100)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(112,940)</u>	<u>(116,115)</u>
NET ASSETS		<u>2,652,055</u>	<u>3,702,248</u>
CAPITAL AND RESERVES			
Called up share capital	17	8,600	12,500
Capital redemption reserve	18	21,400	17,500
Profit and loss account	18	<u>2,622,055</u>	<u>3,672,248</u>
SHAREHOLDERS' FUNDS	19	<u>2,652,055</u>	<u>3,702,248</u>

BARCLAY & MATHIESON LIMITED

BALANCE SHEET AS AT 31 AUGUST 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	1,877,692	1,957,988
Investments	10	<u>55,142</u>	<u>100</u>
		1,932,834	1,958,088
CURRENT ASSETS			
Stocks	11	1,678,220	1,885,883
Debtors	12	4,494,019	3,099,840
Investments	13	8,050	6,720
Cash at bank and in hand		<u>8,917</u>	<u>9,298</u>
		6,189,206	5,001,741
CREDITORS - Amounts falling due within one year	14	<u>(4,071,894)</u>	<u>(3,298,126)</u>
NET CURRENT ASSETS		<u>2,117,312</u>	<u>1,703,615</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,050,146	3,661,703
CREDITORS - Amounts falling due after more than one year	15	(1,400,000)	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(112,940)</u>	<u>(116,115)</u>
NET ASSETS		<u>2,537,206</u>	<u>3,545,588</u>
CAPITAL AND RESERVES			
Called up share capital	17	8,600	12,500
Capital redemption reserve		21,400	17,500
Profit and loss account	18	<u>2,507,206</u>	<u>3,515,588</u>
SHAREHOLDERS' FUNDS	19	<u>2,537,206</u>	<u>3,545,588</u>

APPROVED BY THE BOARD ON
18 November 1997


J. Walker
DIRECTOR

BARCLAY & MATHIESON LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 1997**

	Notes	1997 £	1996 £
CASH FLOW FROM OPERATING ACTIVITIES	20(a)	1,197,215	1,156,903
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,443	1,009
Interest paid		<u>(220,317)</u>	<u>(79,730)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(216,874)	(78,721)
TAXATION			
Tax paid		(547,621)	(239,128)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Sale of tangible fixed assets		22,000	21,501
Sale of current asset investments		-	3,382
Loan to employee benefit trust		(898,010)	-
Purchase of tangible fixed assets		<u>(186,380)</u>	<u>(273,118)</u>
		(1,062,390)	(248,235)
EQUITY DIVIDENDS PAID		<u>(62,500)</u>	<u>(168,750)</u>
NET CASH INFLOW/OUTFLOW BEFORE FINANCING		(692,170)	422,069
FINANCING			
Term loan advanced		2,000,000	-
Term loan repaid		(204,868)	(4,400)
Purchase of own share capital		<u>(1,482,000)</u>	<u>-</u>
		313,132	(4,400)
MOVEMENT IN CASH	20 (b)	<u>(379,038)</u>	<u>417,669</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997

1 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 net assets and results of the company and its subsidiary undertakings based on the financial statements as at 31 August 1997.

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account for Barclay & Mathieson Limited is not presented, as the results of this company are included in the consolidated profit and loss account.

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 tangible fixed assets, 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

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 and handling charges.

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 provided only where there is reasonable evidence that it will become payable within the foreseeable future.

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Pension costs

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.

2 TURNOVER

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.

3 STAFF COSTS

	<u>1997</u> Number	<u>1996</u> Number
Average number of employees, including directors	<u>105</u>	<u>103</u>
Staff costs, including directors' emoluments, amounted to:	£	£
Wages and salaries	1,712,918	1,506,410
Social security costs	139,048	124,562
Other pension costs (Note 21)	<u>167,054</u>	<u>119,871</u>
	<u>2,019,020</u>	<u>1,750,843</u>

4 DIRECTORS' EMOLUMENTS

Directors' emoluments, excluding pension contributions, amounted to £139,167 (1996 - £118,539).

The Chairperson did not receive any emoluments in respect of her services to the company during the year.

Company contributions paid to money purchase pension schemes in the year were £23,001 (1996 - £19,501).

Retirement benefits are accruing to two directors under defined contribution (money purchase) schemes, and to one director under a defined benefit scheme.

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

5 INTEREST PAYABLE

	<u>1997</u>	<u>1996</u>
	£	£
Interest on bank loans and overdrafts	<u>220,317</u>	<u>79,730</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1997</u>	<u>1996</u>
	£	£
Depreciation of tangible fixed assets	250,027	248,618
Auditors' remuneration in respect of the audit of the company's statutory financial statements	15,200	17,150
Auditors' remuneration in respect of the audit of the group's statutory financial statements	18,050	19,900
(Gain)/loss on sale of tangible fixed assets	(14,997)	1,319
Gain on sale of current asset investments	-	(237)
Compensation award, net of costs	-	(37,432)
Contribution to employee benefit trust	<u>(93,000)</u>	<u>-</u>

Fees paid to the auditors in respect of other services provided amounted to £50,525 (1996 - £21,202).

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u>	<u>1996</u>
	£	£
Based on the profits for the year:		
Corporation tax at 31.1% (1996 - 32.6%)	198,574	218,045
Transfer from deferred taxation (Note 16)	<u>(9,800)</u>	<u>(8,000)</u>
	188,774	210,045
Adjustments in respect of previous years:		
Transfer from deferred taxation (Note 16)	(9,000)	-
Overprovision for corporation tax	<u>(13,565)</u>	<u>(2,196)</u>
	<u>(22,565)</u>	<u>(2,196)</u>
	<u>166,209</u>	<u>207,849</u>

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

8 DIVIDENDS

	<u>1997</u> £	<u>1996</u> £
Interim dividend paid of £nil per share (1996 - £4.00 per share)	-	50,000
Final dividend proposed of £nil per share (1996 - £10.50 per share)	<u>-</u>	<u>131,250</u>
	<u>-</u>	<u>181,250</u>

9 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u> £	<u>Vehicles, plant and machinery</u> £	<u>Fixtures and fittings</u> £	<u>Total</u> £
Group				
COST				
At 1 September 1996	1,904,792	1,251,427	186,202	3,342,421
Additions	-	174,603	11,777	186,380
Disposals	<u>-</u>	<u>(126,217)</u>	<u>-</u>	<u>(126,217)</u>
At 31 August 1997	<u>1,904,792</u>	<u>1,299,813</u>	<u>197,979</u>	<u>3,402,584</u>
DEPRECIATION				
At 1 September 1996	362,031	846,227	135,807	1,344,065
Charge for the year	43,319	176,840	29,868	250,027
On disposals	<u>-</u>	<u>(119,214)</u>	<u>-</u>	<u>(119,214)</u>
At 31 August 1997	<u>405,350</u>	<u>903,853</u>	<u>165,675</u>	<u>1,474,878</u>
NET BOOK VALUE				
At 31 August 1997	<u>1,499,442</u>	<u>395,960</u>	<u>32,304</u>	<u>1,927,706</u>
At 31 August 1996	<u>1,542,761</u>	<u>405,200</u>	<u>50,395</u>	<u>1,998,356</u>

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

9 TANGIBLE FIXED ASSETS (Continued)

	Land and buildings £	Vehicles, plant and machinery £	Fixtures and fittings £	Total £
Company				
COST				
At 1 September 1996	1,904,792	1,132,760	183,433	3,220,985
Additions	-	149,477	9,701	159,178
Disposals	-	(115,237)	-	(115,237)
At 31 August 1997	<u>1,904,792</u>	<u>1,167,000</u>	<u>193,134</u>	<u>3,264,926</u>
DEPRECIATION				
At 1 September 1996	362,031	767,927	133,039	1,262,997
Charge for the year	43,319	162,444	29,453	235,216
On disposals	-	(110,979)	-	(110,979)
At 31 August 1997	<u>405,350</u>	<u>819,392</u>	<u>162,492</u>	<u>1,387,234</u>
NET BOOK VALUE				
At 31 August 1997	<u>1,499,442</u>	<u>347,608</u>	<u>30,642</u>	<u>1,877,692</u>
At 31 August 1996	<u>1,542,761</u>	<u>364,833</u>	<u>50,394</u>	<u>1,957,988</u>

10 FIXED ASSET INVESTMENTS

Company	1997 £	1996 £
Shares in subsidiary undertakings at cost	1,100	1,100
Amounts due from subsidiary undertakings	<u>1,355,506</u>	<u>1,300,464</u>
	1,356,606	1,301,564
Less: Provision	(1,301,464)	(1,301,464)
	<u>55,142</u>	<u>100</u>

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

10 FIXED ASSET INVESTMENTS (Continued)

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

	<u>Class of shares held</u>	<u>Nature of business</u>
Clydeside Steel Fabrications Limited	Ordinary	Steel fabricator
B & M Steel Limited	Ordinary	Dormant

Amounts due to the company from its subsidiary undertakings are subordinated to the rights of all other creditors of these subsidiary undertakings.

11 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Raw materials	8,970	9,849	-	-
Work-in-progress	143,028	39,577	-	-
Stocks of steel	<u>1,678,220</u>	<u>1,885,883</u>	<u>1,678,220</u>	<u>1,885,883</u>
	<u>1,830,218</u>	<u>1,935,309</u>	<u>1,678,220</u>	<u>1,885,883</u>

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

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

12 DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Debtors - amounts falling due within one year				
Trade debtors	3,211,871	3,072,430	3,103,207	2,913,220
ACT recoverable	279,678	-	279,678	-
Other debtors, prepayments and accrued income	213,124	188,072	213,124	186,620
Loan to employee benefit trust	<u>178,010</u>	<u>-</u>	<u>178,010</u>	<u>-</u>
	3,882,683	3,260,502	3,774,019	3,099,840
Debtors - amounts falling due after more than one year				
Loan to employee benefit trust	<u>720,000</u>	<u>-</u>	<u>720,000</u>	<u>-</u>
	<u>4,602,683</u>	<u>3,260,502</u>	<u>4,494,019</u>	<u>3,099,840</u>

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

The purpose of establishing the Trust is to improve the motivation, loyalty and performance of the employees of the Company.

The potential beneficiaries of the Trust 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.

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

13 CURRENT ASSET INVESTMENTS

Group and Company
£

All investments are in UK listed companies.

COST

At 1 September 1996 and 31 August 1997

15,111

PROVISION FOR DIMINUTION IN VALUE

At 1 September 1996

8,391

Decrease in provision

(1,330)

At 31 August 1997

7,061

NET BOOK VALUE

At 31 August 1997

8,050

At 31 August 1996

6,720

14 CREDITORS - Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Bank overdrafts	1,403,588	1,108,568	1,373,790	1,108,568
Current instalments due on bank loan	405,140	5,500	400,000	-
Trade creditors	1,743,253	1,550,369	1,738,334	1,473,751
Other taxation and social security	266,281	228,659	247,592	212,122
Other creditors	189,866	212,344	161,275	171,723
Dividend payable	68,750	131,250	68,750	131,250
Corporation tax	<u>110,153</u>	<u>208,712</u>	<u>82,153</u>	<u>200,712</u>
	<u>4,187,031</u>	<u>3,445,402</u>	<u>4,071,894</u>	<u>3,298,126</u>

The bank overdrafts and loans are secured by a bond and floating charge over the assets of Barclay & Mathieson Limited and Clydeside Steel Fabrications Limited. In addition, the parent company guarantees the overdraft of Clydeside Steel Fabrications Limited to the extent of £150,000.

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

15 CREDITORS - Amounts falling due after more than one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans				
Due within one to two years	405,350	5,140	400,000	-
Due within two to five years	1,020,241	24,960	1,000,000	-
Due after five years	-	-	-	-
	<u>1,425,591</u>	<u>30,100</u>	<u>1,400,000</u>	<u>-</u>

The amounts falling due after more than one year relate to:

- Bank loan repayable in equal monthly instalments of interest and capital over seven years from September 1995 of £25,591 (1996 - £30,100).
- Bank loan repayable in equal quarterly instalments of capital over five years from November 1996 of £1,400,000 (1996 - nil).

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

16 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1997</u> Group and Company £
Movements on the deferred tax account during the year were as follows:	
At 1 September 1996	116,115
Transfer to profit and loss account:	
Current year (Note 7)	(9,800)
Prior years (Note 7)	(9,000)
Transfer to ACT recoverable	<u>15,625</u>
At 31 August 1997	<u>112,940</u>
The provision for deferred taxation at 31 August 1997 may be analysed as follows:	
Accelerated capital allowances	100,300
Other timing differences	<u>30,000</u>
	130,300
Less: Advance corporation tax	<u>(17,360)</u>
	<u>112,940</u>

This represents the estimated total potential liability to deferred taxation, using a corporation tax rate of 31% (1996 - 33%).

17 CALLED UP SHARE CAPITAL

	<u>Authorised</u>	<u>1997</u>	<u>1996</u>	<u>Allotted, called up and fully paid</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£	£	£
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>8,600</u>	<u>12,500</u>		

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

18 PROFIT AND LOSS ACCOUNT

	<u>Group</u> £	<u>Company</u> £
At 1 September 1996	3,672,248	3,515,588
Retained profit for the financial year	431,807	473,618
Purchase and cancellation of 3,900 ordinary shares of £1 each	(1,482,000)	(1,482,000)
At 31 August 1997	<u>2,622,055</u>	<u>2,507,206</u>

The purchase and cancellation of 3,900 ordinary shares relates to the share buyback that took place on 25 November 1996.

The movement in the capital redemption reserve of £3,900 relates to this reduction in share capital of 3,900 £1 ordinary shares.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Profit attributable to shareholders	431,807	452,551	473,618	430,280
Dividends	-	(181,250)	-	(181,250)
Purchase and cancellation of ordinary shares	(1,482,000)	-	(1,482,000)	-
Net (decrease)/increase in shareholders' funds	(1,050,193)	271,301	(1,008,382)	249,030
Shareholders' funds at 1 September 1996	<u>3,702,248</u>	<u>3,430,947</u>	<u>3,545,588</u>	<u>3,296,558</u>
Shareholders' funds at 31 August 1997	<u>2,652,055</u>	<u>3,702,248</u>	<u>2,537,206</u>	<u>3,545,588</u>

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash inflow from operating activities

	<u>1997</u>	<u>1996</u>
	£	£
Reconciliation of the operating profit to net cash inflow from operating activities:		
Operating profit	814,890	739,121
Depreciation	250,027	248,618
(Profit)/loss on disposal of fixed tangible assets	(14,997)	1,319
Profit on disposal of current asset investments	-	(237)
(Decrease)/increase in provision against current asset investments	(1,330)	2,118
Decrease in stocks	105,091	42,679
(Increase)/decrease in debtors	(164,493)	305,423
Increase/(decrease) in creditors	<u>208,027</u>	<u>(182,138)</u>
Net cash inflow from operating activities	<u>1,197,215</u>	<u>1,156,903</u>

(b) Reconciliation of net cash flow to movement in net debt

	<u>1997</u>	<u>1996</u>
	£	£
(Decrease)/increase in cash in the period	(379,038)	417,669
Cash inflow from increase in debt	(2,000,000)	-
Repayment of loan	<u>204,868</u>	<u>4,400</u>
Change in net debt	(2,174,170)	422,069
Net debt at 1 September	<u>(1,051,190)</u>	<u>(1,473,259)</u>
Net debt at 31 August	<u>(3,225,360)</u>	<u>(1,051,190)</u>

BARCLAY AND MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997 (CONTINUED)

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Analysis of change in net debt

	At 1 September <u>1996</u> £	Cash flows £	At 31 August <u>1997</u> £
Cash in hand, at bank	92,978	(84,018)	8,960
Overdraft	<u>(1,108,568)</u>	<u>(295,020)</u>	<u>(1,403,588)</u>
	(1,015,590)	(379,038)	(1,394,628)
Debt due within one year	(5,500)	(399,640)	(405,140)
Debt due after one year	<u>(30,100)</u>	<u>(1,395,492)</u>	<u>(1,425,592)</u>
	<u>(1,051,190)</u>	<u>(2,174,170)</u>	<u>(3,225,360)</u>

21 PENSION SCHEMES

The group operates two pension schemes, the No1 scheme providing benefits based on final pensionable pay and the No 2 scheme, a money purchase scheme. The assets of the schemes are held separately from those of the group, being invested by professional investment managers.

The contributions to the No1 scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The principal assumptions adopted are an interest rate of 9%, salary growth rate of 7% and a dividend growth rate of 4%.

The most recent valuation was completed at 1 September 1995 and showed the market value of the scheme's assets was £1,037,000 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The total pension charge for the year for both schemes was £167,054 (1996 - £119,871). At 31 August 1997 there are amounts recorded in other debtors representing payment of contributions in advance of £150,714 (1996 - £115,875).

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