

BARCLAY & MATHIESON LIMITED
(Registered Number SC30987)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 AUGUST 1998

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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 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

During the year the company acquired the entire issued share capital of Tatham Miller Limited, a steel stockholding company registered in England and Wales.

RESULTS AND DIVIDENDS

The profit for the year, after taxation of the group amounted to £182,548 (1997: £431,807).

The directors do not propose a final dividend for the year (1997 - nil). The profit for the financial year of £182,548 (1997 - £431,807) 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 1998 Number	31 August 1997 Number
Mr P P Bradburn	355	355
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 8 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.

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

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors. A resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



P P BRADBURN
Secretary
24 November 1998

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Glasgow G51 4TB

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1 Blythswood Square
Glasgow G2 4AD
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AUDITORS' REPORT TO THE MEMBERS OF BARCLAY & MATHIESON LIMITED

We have audited the financial statements on pages 4 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 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.

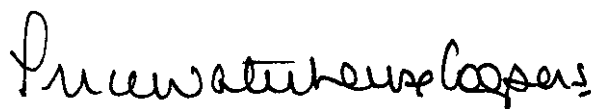
BASIS OF OPINION

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 1998 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
Chartered Accountants
and Registered Auditors

24 November 1998

BARCLAY & MATHIESON LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1998

	Notes	1998 £	1997 £
TURNOVER	2	17,929,899	14,364,505
Continuing operations		14,001,253	14,364,505
Acquisitions		3,928,646	-
GROSS PROFIT			
Cost of sales	2	(14,020,273)	(11,246,453)
		3,909,626	3,118,052
Distribution costs	2	(1,514,207)	(1,028,697)
Administrative expenses	2	(1,816,461)	(1,274,465)
		(3,330,668)	(2,303,162)
OPERATING PROFIT			
		578,958	814,890
Continuing operations		457,200	814,890
Acquisitions		121,758	-
Interest receivable		3,633	3,443
Interest payable	6	(309,549)	(220,317)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
	3	273,042	598,016
Tax on profit on ordinary activities	7	(90,494)	(166,209)
PROFIT FOR THE FINANCIAL YEAR			
		182,548	431,807
Dividends		-	-
SURPLUS FOR THE FINANCIAL YEAR	17	182,548	431,807

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.

The notes on pages 9 to 21 form part of these financial statements.

BARCLAY & MATHIESON LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Profit attributable to shareholders	182,548	431,807	97,587	473,618
Purchase and cancellation of ordinary shares	-	(1,482,000)	-	(1,482,000)
Net increase/(decrease) in shareholders' funds	182,548	(1,050,193)	97,587	(1,008,382)
Shareholders' funds at 1 September 1997	<u>2,652,055</u>	<u>3,702,248</u>	<u>2,537,206</u>	<u>3,545,588</u>
Shareholders' funds at 31 August 1998	<u>2,834,603</u>	<u>2,652,055</u>	<u>2,634,793</u>	<u>2,537,206</u>

The notes on pages 9 to 21 form part of these financial statements.

BARCLAY & MATHIESON LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	3,015,369	1,927,706
CURRENT ASSETS			
Stocks	10	2,767,821	1,830,218
Debtors	11	6,198,481	4,602,683
Investments	12	7,126	8,050
Cash at bank and in hand		<u>10,960</u>	<u>8,960</u>
		8,984,388	6,449,911
CREDITORS – Amounts falling due within one year	13	<u>(6,440,888)</u>	<u>(4,187,031)</u>
NET CURRENT ASSETS		<u>2,543,500</u>	<u>2,262,880</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,558,869	4,190,586
CREDITORS – Amounts falling due after more than one year	14	(2,595,217)	(1,425,591)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(129,049)</u>	<u>(112,940)</u>
NET ASSETS		<u>2,834,603</u>	<u>2,652,055</u>
CAPITAL AND RESERVES			
Called up share capital	16	8,600	8,600
Capital redemption reserve		21,400	21,400
Profit and loss account	17	<u>2,804,603</u>	<u>2,622,055</u>
SHAREHOLDERS' FUNDS		<u>2,834,603</u>	<u>2,652,055</u>

The notes on pages 9 to 21 form part of these financial statements.

BARCLAY & MATHIESON LIMITED

BALANCE SHEET AS AT 31 AUGUST 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	2,034,237	1,877,692
Investments	9	<u>1,830,951</u>	<u>55,142</u>
		3,865,188	1,932,834
CURRENT ASSETS			
Stocks	10	1,472,206	1,678,220
Debtors	11	3,662,182	4,494,019
Investments	12	7,126	8,050
Cash at bank and in hand		<u>9,263</u>	<u>8,917</u>
		5,150,777	6,189,206
CREDITORS – Amounts falling due within one year	13	<u>(3,688,632)</u>	<u>(4,071,894)</u>
NET CURRENT ASSETS		<u>1,462,145</u>	<u>2,117,312</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,327,333	4,050,146
CREDITORS – Amounts falling due after more than one year	14	(2,575,000)	(1,400,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(117,540)</u>	<u>(112,940)</u>
NET ASSETS		<u>2,634,793</u>	<u>2,537,206</u>
CAPITAL AND RESERVES			
Called up share capital	16	8,600	8,600
Capital redemption reserve		21,400	21,400
Profit and loss account	17	<u>2,604,793</u>	<u>2,507,206</u>
SHAREHOLDERS' FUNDS		<u>2,634,793</u>	<u>2,537,206</u>

APPROVED BY THE BOARD ON
24 November 1998


J Walker
DIRECTOR

The notes on pages 9 to 21 form part of these financial statements.

BARCLAY & MATHIESON LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 1998

	Notes	1998	1997
		£	£
CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	769,511	1,197,215
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,633	3,443
Interest paid		<u>(309,549)</u>	<u>(220,317)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(305,916)	(216,874)
TAXATION			
Tax recovered/(paid)		110,717	(547,621)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Sale of tangible fixed assets		12,799	22,000
Loan to employee benefit trust		-	(898,010)
Repayment of loan from employee benefit trust		178,010	-
Purchase of tangible fixed assets		<u>(415,404)</u>	<u>(186,380)</u>
		(224,595)	(1,062,390)
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertaking	19(d)	(1,759,692)	-
Net overdrafts acquired with subsidiary	19(d)	<u>(383,673)</u>	-
		(2,143,365)	-
EQUITY DIVIDENDS PAID		<u>(34,400)</u>	<u>(62,500)</u>
NET CASH OUTFLOW BEFORE FINANCING		(1,828,048)	(692,170)
FINANCING			
Term loan advanced		1,750,000	2,000,000
Term loan repaid		(405,125)	(204,868)
Purchase of own share capital		<u>-</u>	<u>(1,482,000)</u>
		1,344,875	313,132
DECREASE IN CASH IN THE YEAR	19(b)	<u>(483,173)</u>	<u>(379,038)</u>

The notes on pages 9 to 21 form part of these financial statements.

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

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 results of the company and its subsidiaries for the year.

Where subsidiary undertakings are acquired during the year the difference between the fair value attributed to the net assets acquired and the fair value of the consideration given is treated as goodwill which is capitalised and amortised on a straight line basis over ten years.

The results of subsidiary undertakings acquired during the year are included in the group profit and loss account from the date of acquisition.

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 £97,587 (1997 - £473,618).

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	- 5% - 25%
Fixtures and fittings	- 5% - 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 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 & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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 AND ANALYSIS OF PROFIT AND LOSS ACCOUNT

(a) 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.

(b) Cost of sales, distribution costs and administrative expenses comprise:

	1998		1997
	Continuing operations	Acquisitions	Continuing operations
	£	£	£
Cost of sales	11,062,855	2,957,418	11,246,453
Distribution costs	1,102,271	411,936	1,028,697
Administrative expenses	<u>1,378,927</u>	<u>437,534</u>	<u>1,274,465</u>
		<u>14,020,273</u>	
		<u>1,514,207</u>	
		<u>1,816,461</u>	

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1998	1997
	£	£
Depreciation of tangible fixed assets	302,579	250,027
Auditors' remuneration in respect of the audit of the group's statutory financial statements	31,220	18,050
Operating lease rentals – hire of vehicles	118,009	-
Gain on sale of tangible fixed assets	(11,916)	(14,997)
Contribution to employee benefit trust	<u>75,000</u>	<u>93,000</u>

Auditors' remuneration in respect of the audit of the company's statutory financial statements amounted to £19,270 (1997 - £15,200).

Fees paid to the auditors in respect of other services provided amounted to £66,000 (1997 - £50,525).

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

4 STAFF COSTS

	<u>1998</u> Number	<u>1997</u> Number
Average number of employees, including directors	<u>151</u>	<u>105</u>
Staff costs, including directors' emoluments, amounted to:	£	£
Wages and salaries	2,380,699	1,712,918
Social security costs	198,871	139,048
Other pension costs (Note 20)	<u>250,837</u>	<u>167,054</u>
	<u>2,830,407</u>	<u>2,019,020</u>

5 DIRECTORS' EMOLUMENTS

Directors' emoluments, excluding pension contributions, amounted to £144,600 (1997 - £139,167).

Company contributions paid to money purchase pension schemes in the year were £23,001 (1997 - £23,001).

Retirement benefits are accruing to two directors (1997 - two) under a defined contribution (money purchase) pension scheme and to one director (1997 - one) under a defined benefit scheme.

6 INTEREST PAYABLE

	<u>1998</u> £	<u>1997</u> £
Interest on bank loans and overdrafts	<u>309,549</u>	<u>220,317</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1998</u> £	<u>1997</u> £
Based on the profits for the year:		
Corporation tax at 31% (1997 - 31.1%)	96,051	198,574
Transfer from deferred taxation (Note 15)	<u>(1,219)</u>	<u>(9,800)</u>
	94,832	188,774
Adjustments in respect of previous years:		
Transfer from deferred taxation (Note 15)	(907)	(9,000)
Overprovision for corporation tax	<u>(3,431)</u>	<u>(13,565)</u>
	<u>(4,338)</u>	<u>(22,565)</u>
	<u>90,494</u>	<u>166,209</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Land and Buildings £	Vehicles, plant and machinery £	Fixtures and fittings £	Total £
Group				
COST				
At 1 September 1997	1,904,792	1,299,813	197,979	3,402,584
Purchase of subsidiary	635,000	720,895	219,841	1,575,736
Additions	178,000	132,066	105,338	415,404
Disposals	-	(96,995)	(35,859)	(132,854)
At 31 August 1998	<u>2,717,792</u>	<u>2,055,779</u>	<u>487,299</u>	<u>5,260,870</u>
DEPRECIATION				
At 1 September 1997	405,350	903,853	165,675	1,474,878
Purchase of subsidiary	4,000	475,696	120,319	600,015
Charge for the year	50,550	208,640	43,389	302,579
On disposals	-	(96,452)	(35,519)	(131,971)
At 31 August 1998	<u>459,900</u>	<u>1,491,737</u>	<u>293,864</u>	<u>2,245,501</u>
NET BOOK VALUE				
At 31 August 1998	<u>2,257,892</u>	<u>564,042</u>	<u>193,435</u>	<u>3,015,369</u>
At 31 August 1997	<u>1,499,442</u>	<u>395,960</u>	<u>32,304</u>	<u>1,927,706</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

8 TANGIBLE FIXED ASSETS (CONTINUED)

Company	Land and buildings £	Vehicles, plant and machinery £	Fixtures and fittings £	Total £
COST				
At 1 September 1997	1,904,792	1,167,000	193,134	3,264,926
Additions	178,000	117,487	105,338	400,825
Disposals	-	(49,509)	(1,692)	(51,201)
Group transfers	-	(25,475)	-	(25,475)
At 31 August 1998	<u>2,082,792</u>	<u>1,209,503</u>	<u>296,780</u>	<u>3,589,075</u>
DEPRECIATION				
At 1 September 1997	405,350	819,392	162,492	1,387,234
Charge for the year	47,217	159,856	36,863	243,936
On disposals	-	(49,506)	(1,352)	(50,858)
Group transfers	-	(25,474)	-	(25,474)
At 31 August 1998	<u>452,567</u>	<u>904,268</u>	<u>198,003</u>	<u>1,554,838</u>
NET BOOK VALUE				
At 31 August 1998	<u>1,630,225</u>	<u>305,235</u>	<u>98,777</u>	<u>2,034,237</u>
At 31 August 1997	<u>1,499,442</u>	<u>347,608</u>	<u>30,642</u>	<u>1,877,692</u>

9 FIXED ASSET INVESTMENTS

Fixed asset investments during the year were as follows:

Company	Investment in subsidiary undertaking £	Amounts due from subsidiary undertaking £	Total £
Cost			
At 1 September 1997	1,100	1,355,606	1,356,706
Additions	1,759,692	71,159	1,830,851
Repayment of balance by subsidiary undertaking	-	(55,042)	(55,042)
At 31 August 1998	<u>1,760,792</u>	<u>1,371,723</u>	<u>3,132,515</u>
Provisions			
At 1 September 1997 and 31 August 1998	<u>1,000</u>	<u>1,300,564</u>	<u>1,301,564</u>
Net book value			
At 31 August 1998	<u>1,759,792</u>	<u>71,159</u>	<u>1,830,951</u>
At 31 August 1997	<u>100</u>	<u>55,042</u>	<u>55,142</u>

Additions in the year represent the acquisition of the whole of the issued share capital of Tatham Miller Limited on 9 April 1998 (Note 21).

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

9 FIXED ASSET INVESTMENTS (CONTINUED)

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

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

(* Held indirectly through Tatham Miller Limited)

Tatham Miller Limited and its subsidiary undertakings were acquired during the year.

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

10 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Raw materials	10,288	8,970	-	-
Work-in-progress	66,106	143,028	-	-
Stocks of steel	<u>2,691,427</u>	<u>1,678,220</u>	<u>1,472,206</u>	<u>1,678,220</u>
	<u>2,767,821</u>	<u>1,830,218</u>	<u>1,472,206</u>	<u>1,678,220</u>

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

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

11 DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Debtors – amounts falling due within one year				
Trade debtors	5,111,791	3,211,871	2,677,606	3,103,207
ACT recoverable	-	279,678	-	279,678
Other debtors, prepayments and accrued income	366,690	213,124	264,576	213,124
Loan to employee benefit trust	<u>57,500</u>	<u>178,010</u>	<u>57,500</u>	<u>178,010</u>
	5,535,981	3,882,683	2,999,682	3,774,019
Debtors – amounts falling due after more than one year				
Loan to employee benefit trust	<u>662,500</u>	<u>720,000</u>	<u>662,500</u>	<u>720,000</u>
	<u>6,198,481</u>	<u>4,602,683</u>	<u>3,662,182</u>	<u>4,494,019</u>

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.

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

12 CURRENT ASSET INVESTMENTS

Group and Company
£

All investments are in UK listed companies.

COST

At 1 September 1997 and 31 August 1998 15,111

PROVISION FOR DIMINUTION IN VALUE

At 1 September 1997 7,061
Increase in provision 924

At 31 August 1998 7,985

NET BOOK VALUE

At 31 August 1998 7,126

At 31 August 1997 8,050

13 CREDITORS - Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
Amounts owed to subsidiary undertakings	-	-	88,971	-
Bank overdrafts	1,888,761	1,403,588	966,057	1,373,790
Current instalments due on bank loan	580,390	405,140	575,000	400,000
Trade creditors	3,035,403	1,743,253	1,434,753	1,738,334
Other taxation and social security	383,489	266,281	269,286	247,592
Other creditors	361,092	189,866	246,992	161,275
Dividend payable	34,350	68,750	34,350	68,750
Corporation tax	122,223	110,153	73,223	82,153
Accrued pension	<u>35,180</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,440,888</u>	<u>4,187,031</u>	<u>3,688,632</u>	<u>4,071,894</u>

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 the assets of Tatham Miller Limited. In addition, the parent company guarantees the overdraft of Clydeside Steel Fabrications Limited to the extent of £150,000.

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

14 CREDITORS - Amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans				
Due within one to two years	756,739	405,350	750,000	400,000
Due within two to five years	<u>1,838,478</u>	<u>1,020,241</u>	<u>1,825,000</u>	<u>1,000,000</u>
	<u>2,595,217</u>	<u>1,425,591</u>	<u>2,575,000</u>	<u>1,400,000</u>

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

- Bank loan of £20,217 (1997 - £25,591) is repayable in equal monthly instalments of interest and capital over seven years from September 1995.
- Bank loan of £1,000,000 (1997 - £1,400,000) is repayable in equal quarterly instalments of capital over five years from November 1997.
- Bank loan of £1,575,000 (1997 - nil) is repayable in equal quarterly instalments of capital over five years from March 1999.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group	Company
	1998	1998
Movements on the deferred tax account during the year were as follows:		
At 1 September 1997	112,940	112,940
Acquisitions of subsidiary undertakings	9,635	-
Transfer to/(from) profit and loss account:		
Current year (Note 7)	(1,219)	(4,000)
Prior years (Note 7)	(907)	-
Transfer of ACT to current tax payable	<u>8,600</u>	<u>8,600</u>
At 31 August 1998	<u>129,049</u>	<u>117,540</u>

The amounts provided at 30% (1997 - 31%) and total potential liability are:

	Amount		Total potential liability	
	Group	Company	Group	Company
	£	£	£	£
Excess of capital allowances over depreciation	105,809	94,300	123,758	94,300
Other timing differences	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>
	137,809	126,300	155,758	126,300
Less: advance corporation tax	<u>(8,760)</u>	<u>(8,760)</u>	<u>(8,760)</u>	<u>(8,760)</u>
	<u>129,049</u>	<u>117,540</u>	<u>146,998</u>	<u>117,540</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

16 CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>8,600</u>	<u>8,600</u>

17 PROFIT AND LOSS ACCOUNT

	Group	Company
	£	£
At 1 September 1997	2,622,055	2,507,206
Retained profit for the financial year	<u>182,548</u>	<u>97,587</u>
At 31 August 1998	<u>2,804,603</u>	<u>2,604,793</u>

18 FINANCIAL COMMITMENTS

The group's annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Lease expiring within:				
One year	-	-	-	-
Two to five years	52,050	-	136,334	-
Over five years	<u>54,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>106,550</u>	<u>-</u>	<u>136,334</u>	<u>-</u>

19 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash inflow from operating activities

	1998	1997
	£	£
Reconciliation of the operating profit to net cash inflow from operating activities:		
Operating profit	578,958	814,890
Depreciation	302,579	250,027
Gain on disposal of fixed tangible assets	(11,915)	(14,997)
Increase/(decrease) in provision against current asset investments	924	(1,330)
Decrease in stocks	378,892	105,091
Decrease/(increase) in debtors	839,235	(164,493)
(Decrease)/increase in creditors	<u>(1,319,162)</u>	<u>208,027</u>
Net cash inflow from operating activities	<u>769,511</u>	<u>1,197,215</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

19 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

	1998	1997
	£	£
Decrease in cash in the year	(483,173)	(379,038)
Cash inflow from increase in debt	(1,750,000)	(2,000,000)
Repayment of loan	<u>405,125</u>	<u>204,868</u>
Change in net debt	(1,828,048)	(2,174,170)
Net debt at 1 September	<u>(3,225,360)</u>	<u>(1,051,190)</u>
Net debt at 31 August	<u>(5,053,408)</u>	<u>(3,225,360)</u>

(c) Analysis of change in net debt

	At 1 September 1997 £	Cash flows £	At 31 August 1998 £
Cash in hand, at bank	8,960	2,000	10,960
Overdraft	<u>(1,403,588)</u>	<u>(485,173)</u>	<u>(1,888,761)</u>
	(1,394,628)	(483,173)	(1,877,801)
Debt due within one year	(405,140)	(175,250)	(580,390)
Debt due after one year	<u>(1,425,592)</u>	<u>(1,169,625)</u>	<u>(2,595,217)</u>
	<u>(3,225,360)</u>	<u>(1,828,048)</u>	<u>(5,053,408)</u>

(d) Purchase of subsidiary undertaking

	£
Net assets acquired	
Tangible fixed assets	975,721
Stocks	1,316,495
Debtors	2,527,802
Cash in hand	14
Creditors	(2,667,018)
Bank overdraft	(383,687)
Deferred taxation	<u>(9,635)</u>
	1,759,692
Goodwill	<u>-</u>
	<u>1,759,692</u>
Satisfied by	
Cash	<u>1,759,692</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

19 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

The subsidiary undertaking acquired during the year reduced the group's net operating cash flows by £343,852, paid £22,478 in respect of net returns on investment and servicing of finance, paid £79,506 in respect of taxation, utilised £14,580 for capital expenditure and generated £9,870 from the sale of tangible fixed assets.

20 PENSION SCHEMES

The group operates two pension schemes, the No 1 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 No 1 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 £250,837 (1997 - £167,054). At 31 August 1998 there are amounts recorded in other debtors representing payment of contributions in advance of £144,138 (1997 - £150,714).

21 PURCHASE OF SUBSIDIARY UNDERTAKING

Tatham Miller Limited

With effect from 9 April 1998, the group acquired the whole of the issued share capital of Tatham Miller Limited.

The following table sets out a summary of the assets and liabilities acquired.

	Book value and fair value of net assets acquired £
Fixed assets	975,721
Current assets	3,844,296
Current liabilities	(2,667,018)
Provisions	(9,635)
Cash at bank and overdrafts of acquired entity	<u>(383,672)</u>
	1,759,692
Satisfied by: cash consideration	<u>(1,759,692)</u>
Goodwill arising	<u> -</u>

BARCLAY & MATHIESON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

21 PURCHASE OF SUBSIDIARY UNDERTAKING (CONTINUED)

The summarised profit and loss account of Tatham Miller Limited for the period from the start of its financial year, 1 October 1997, to the date of acquisition is presented below:

Summarised Profit and Loss Account

	£
	<u>5,420,921</u>
Turnover	
	<u>28,690</u>
Operating profit	
	12,969
Profit before taxation	
	<u>(11,105)</u>
Taxation	
	<u>1,864</u>
Profit after taxation	

There were no recognised gains or losses other than the profit for the period.

The profit after tax of Tatham Miller Limited for the previous financial year ended 30 September 1997 was £154,600.

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BARCLAY & MATHIESON LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1998

	1998	1997
	£	£
TURNOVER	13,253,958	13,150,657
Sales to subsidiary companies		<u>386,184</u>
	13,253,958	13,536,841
COST OF GOODS SOLD		
Purchases	9,747,767	9,743,643
Decrease/(increase) in stock	<u>-</u>	<u>207,663</u>
	<u>9,747,767</u>	<u>9,951,306</u>
GROSS PROFIT	<u>3,506,191</u>	<u>3,585,535</u>
WORK EXPENSES		
Wages and national insurance	396,761	357,025
Rates and insurance	193,432	177,726
Heating and lighting	24,977	27,229
Building repairs	13,606	44,776
Crane repairs	83,505	62,302
Depreciation - plant	30,653	29,628
- buildings	47,217	43,319
Sundries	<u>48,465</u>	<u>53,410</u>
	<u>838,616</u>	<u>795,415</u>
TRANSPORT EXPENSES		
Wages and national insurance	275,412	275,240
Insurance and road tax	29,777	30,370
Depreciation	65,271	70,442
Fuel, tyres and repairs	177,372	180,821
Carriage out	<u>18,032</u>	<u>24,704</u>
	<u>565,864</u>	<u>581,577</u>
ADMINISTRATION EXPENSES		
Salaries and national insurance	429,819	409,466
Directors' remuneration	130,510	127,778
Executive pension scheme	59,065	55,045
Depreciation	100,795	91,827
Insurance and road tax	12,381	12,974
Fuel, tyres and repairs	50,482	40,960
Professional fees	201,092	123,631
Telephones	54,727	53,919
Stationery and postages	48,098	48,937
Sundries	<u>79,813</u>	<u>75,558</u>
	<u>1,158,017</u>	<u>1,040,095</u>
Carry forward expenses	<u>2,562,497</u>	<u>2,417,087</u>
Carry forward gross profit	<u>3,497,426</u>	<u>3,585,535</u>

BARCLAY & MATHIESON LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1998 (CONTINUED)

	1998	1997
	£	£
Brought forward gross profit	<u>3,497,426</u>	<u>3,585,535</u>
Brought forward expenses	<u>2,562,497</u>	2,417,087
SALES EXPENSES		
Salaries and national insurance	411,221	348,077
Travelling expenses	27,637	30,840
Advertising	34,344	32,777
Provision for doubtful debts (less recoverable)	<u>63,205</u>	<u>35,426</u>
	<u>536,407</u>	<u>447,120</u>
FINANCE EXPENSES		
Overdraft interest and loan interest	<u>280,216</u>	<u>216,626</u>
OTHER OPERATING INCOME		
Rent received	(58,215)	(53,986)
(Gain)/loss on sale of fixed assets	<u>(2,585)</u>	<u>(13,542)</u>
	<u>(60,800)</u>	<u>(67,528)</u>
TOTAL NET EXPENSES	<u>3,318,320</u>	<u>3,013,305</u>
TRADING PROFIT FOR THE FINANCIAL YEAR	187,871	572,230
Contribution to Ranfurly Trust	(75,000)	(93,000)
Compensation award, net of expenses	-	-
Interest and dividends received	<u>43,632</u>	<u>132,913</u>
	<u>(31,368)</u>	<u>39,913</u>
PROFIT BEFORE TAXATION	<u>156,503</u>	<u>612,143</u>