



**BARRETT STEEL ENGINEERING  
LIMITED**

**Report and Financial Statements**

**4 October 1997**

**Deloitte & Touche  
10-12 East Parade  
Leeds  
LS1 2AJ**



**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R Butcher            (Chairman)  
R B Barrett  
J S Barrett  
P C Chasney  
D G Martin  
C R Sherling

**SECRETARY**

P C Chasney

**REGISTERED OFFICE**

Barrett House  
Cutler Heights Lane  
Dudley Hill  
Bradford  
BD4 9HU

**BANKERS**

Midland Bank plc  
47 Market Street  
Bradford  
BD1 1LW

**SOLICITORS**

Pinsent Curtis  
41 Park Square  
Leeds  
LS1 2NS

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
10-12 East Parade  
Leeds  
LS1 2AJ



## **CHAIRMAN'S STATEMENT**

### **RESULTS**

The Group has achieved sound growth in profitability in a year of mixed fortunes for the industry. The profit before tax has risen to £1.6 million, an increase of 7.0% over the prior year.

Turnover for the year was £15.2 million, a decrease of 1.8% compared to 1995/96. Steelwork volume has increased slightly in the year. The fall in turnover is due to the completion of the Group's withdrawal from the cladding market and a fall in steel prices.

The Group has again achieved a strong trading cash flow. After making significant payments for dividends to the funding Institutions and in the buy-back of preference shares in its wholly owned subsidiary, the Group has completed the year with £2.2 million cash in hand, only 5.4% less than the prior year. Net funds after deduction of all hire purchase commitments closed at over £1.9 million.

### **DEVELOPMENT OF THE GROUP**

The Group has continued to develop its expertise in the design and build sector of the UK Structural Steelwork market.

A number of substantial distribution warehouses were completed during the year. Prominent amongst these were projects for Homebase DIY in Swindon, Eddie Stobart Distribution in Daventry, Rolls Royce in Derby, Royal Mail in Crawley and Aldi Supermarkets in Swindon. This market remains a cornerstone of the Group's business.

The Group has also become a market leader in the design and build of multiplex cinema developments together with their associated leisure, retail and restaurant facilities. During the year the Group built multiplexes in Boldon, Bolton, Bristol and Bexley Heath. The current year has started with orders in place for three further multiplexes, including a project in Sheffield which will be the largest multi-storey multiplex in Europe. These complex schemes require the innovative and imaginative design solutions in which the Group specialises. They are viewed as a key area of activity for the business in the future.

Investments in fixed assets during the year have principally been in respect of 3-D CAD systems and other IT facilities. The Group makes wide use of its internet e-mail facilities, which are proving very useful for the transfer of drawings and technical data. Capital expenditure in the coming year will be focused on projects that will increase fabrication shop productivity.

It is now over twelve months since Barrett Steel Buildings Ltd. committed to becoming an Investor in People. An attitude survey carried out in September indicated that employees feel they have benefited from the initiative. Tangible benefits to the company include better communications, and improved productivity through the implementation of employee training and development plans.

### **OUTLOOK**

The forecasts for the markets served by the Group indicate growth of around 3% for the coming year, and our current order book is encouraging. However, many competitors are creating capacity at a much faster rate than the underlying market growth. The group has therefore set itself targets for a small increase in activity, coupled with significant improvements in productivity. Notwithstanding anticipated strong competition, the board looks forward to a further year of modest progress.

R Butcher

22 January 1998

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 4 October 1997.

### **ACTIVITIES**

The principal activity of the company is to act as a holding company for Barrett Steel Buildings Limited, whose principal activity is the construction of steel buildings.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

A review of developments and future prospects is set out in the Chairman's Statement on page 2.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The results for the year are set out in the consolidated profit and loss account on page 7.

A dividend of £484,000 (1996 : £593,000) was paid during the year, £17,000 (1996 : £308,000) in respect of equity shares and £467,000 (1996 : £285,000) in respect of non-equity retained shares. The directors have paid further interim dividends since the year end of £33,000 (1996 £ Nil) in respect of equity shares and £315,000 (1996 : £214,000) in respect of non-equity shares. The retained profit of £272,000 (1996 loss: £4,000) has been transferred to (1996 : from) reserves.

### **FIXED ASSETS**

Movements in fixed assets are set out in notes 9 and 10 to the accounts.

### **DIRECTORS AND THEIR INTERESTS**

The current directors of the company are noted on page 1.

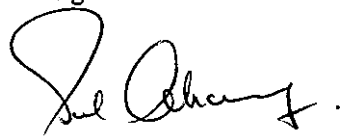
The interests of the directors in office at the year end in the share capital of the company are as follows:

	<b>'A' Ordinary Shares</b>	
	<b>At 4 October 1997 No</b>	<b>At 5 October 1996 No</b>
R B Barrett	240,000	240,000
J S Barrett	240,000	240,000
P C Chasney	120,000	120,000
R Butcher	20,000	20,000
D G Martin	-	-
C R Sherling	-	-

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors of the company. A resolution to reappoint them is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



P C Chasney

Secretary

22 January 1998

**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 as at the end of the financial year 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;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for the group's system of internal financial control, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
10-12 East Parade  
Leeds LS1 2AJ

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International + 44 113 243 9021  
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DX 26423

## BARRETT STEEL ENGINEERING LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on page 11.

#### Respective responsibilities of directors and auditors

As described on page 4 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 circumstances of the company and the group, 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 4 October 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and  
Registered Auditors

26 January 1998

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**Year ended 4 October 1997**

	Note	Year ended 4 October 1997 £'000	Year ended 5 October 1996 £'000
<b>TURNOVER - continuing operations</b>	2	15,226	15,505
Cost of sales		(11,063)	(11,486)
Gross profit		4,163	4,019
Administrative expenses		(2,596)	(2,581)
<b>OPERATING PROFIT - continuing operations</b>	4	1,567	1,438
Interest receivable and similar income		73	101
Interest payable and similar charges	5	(27)	(31)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,613	1,508
Tax on profit on ordinary activities	6	(509)	(505)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,104	1,003
<b>NON-EQUITY MINORITY INTEREST</b>		-	(200)
Dividends paid and proposed	7	1,104 (832)	803 (807)
<b>PROFIT/(LOSS) TRANSFERRED TO/(FROM) RESERVES</b>	18	272	(4)

There are no recognised gains or losses other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses is given.





**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**Year ended 4 October 1997**

	<b>Year ended 4 October 1997 £'000</b>	<b>Year ended 5 October 1996 £'000</b>
Profit attributable to the shareholders of the company	1,104	803
Dividends	(832)	(807)
Addition to/(reduction in) shareholders' funds	272	(4)
Share capital subscribed	-	3
<b>Opening shareholders' funds</b>	<b>728</b>	<b>729</b>
<b>Closing shareholders' funds</b>	<b>1,000</b>	<b>728</b>

**CONSOLIDATED BALANCE SHEET**  
**4 October 1997**

	Note	4 October 1997 £'000	5 October 1996 As restated £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	647	860
<b>CURRENT ASSETS</b>			
Stocks	11	485	607
Debtors	12	2,317	1,929
Cash at bank and in hand		2,213	2,339
		5,015	4,875
<b>CREDITORS: amounts falling due within one year</b>	13	(4,476)	(4,108)
<b>NET CURRENT ASSETS</b>		539	767
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,186	1,627
<b>CREDITORS: amounts falling due after more than one year</b>	14	(170)	(258)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(16)	(41)
<b>NON-EQUITY MINORITY INTEREST</b>	15	-	(600)
		1,000	728
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	75	75
Share premium account	18	1,045	1,045
Profit and loss account	18	576	304
Goodwill reserve	18	(696)	(696)
<b>Total shareholders' funds</b>		1,000	728
<b>Shareholders' funds are attributable to:</b>			
Equity shareholders' funds		(1)	(273)
Non-equity shareholders' funds	19	1,001	1,001
		1,000	728

These financial statements were approved by the Board of Directors on 22 January 1998.

Signed on behalf of the Board of Directors



R B Barrett

Director

**COMPANY BALANCE SHEET**  
**4 October 1997**

	Note	4 October 1997 £'000	5 October 1996 As restated £'000
<b>FIXED ASSETS</b>			
Investments	10	1,717	1,117
<b>CURRENT ASSETS</b>			
Debtors	12	444	249
Cash at bank and in hand		-	26
		444	275
<b>CREDITORS: amounts falling due within one year</b>	13	(402)	(257)
<b>NET CURRENT ASSETS</b>		42	18
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,759	1,135
<b>CREDITORS : amounts falling due after more than one year</b>	14	(600)	-
		1,159	1,135
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	75	75
Share premium account	18	1,045	1,045
Profit and loss account	18	39	15
<b>Total shareholders' funds</b>		1,159	1,135
<b>Shareholders' funds are attributable to:</b>			
Equity shareholders' funds		158	134
Non-equity shareholders' funds	19	1,001	1,001
		1,159	1,135

These financial statements were approved by the Board of Directors on 22 January 1998.

Signed on behalf of the Board of Directors



R B Barrett

Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 4 October 1997**

	Note	Year ended 4 October 1997 £'000	Year ended 5 October 1996 As restated £'000
Net cash inflow from operating activities	22	1,851	1,621
<b>Returns on investments and servicing of finance</b>			
Interest element of finance lease rentals		(27)	(31)
Interest received		73	101
Non-equity dividends paid		(682)	(581)
Dividends paid to minority interest		-	(200)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(636)</b>	<b>(711)</b>
<b>Taxation</b>			
Tax paid (including advance corporation tax)		(496)	(295)
Group relief received from Barrett Steel Limited		-	354
<b>Tax (paid)/received</b>		<b>(496)</b>	<b>59</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(122)	(57)
Receipts from disposal of tangible fixed assets		8	7
<b>Net cash outflow from capital expenditure</b>		<b>(114)</b>	<b>(50)</b>
<b>Acquisitions and disposals</b>			
Purchase of shares in subsidiary company		(600)	-
<b>Equity dividends paid</b>			
Equity dividends paid		(17)	(65)
Release of dividend accrual		-	(2)
		<b>(17)</b>	<b>(67)</b>
<b>Financing</b>			
Share capital subscribed		-	3
Capital element of finance lease and hire purchase payments		(114)	(99)
<b>Net cash outflow from financing</b>	23	<b>(114)</b>	<b>(96)</b>
<b>(Decrease)/increase in cash in the year</b>	23	<b>(126)</b>	<b>756</b>

**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Cash flow statement**

The company has adopted the provisions of Financial Reporting Standard 1 (revised 1996) in the preparation of its cash flow statement and has restated the comparative figures accordingly.

**Goodwill reserve**

Goodwill is the amount by which the purchase consideration for businesses acquired exceeds the fair value to the group of the separable net assets acquired. Purchased goodwill is immediately written off against reserves.

**Tangible fixed assets**

Fixed assets are stated at cost. Depreciation is provided on a straight line basis calculated to write off the cost of the assets over their estimated useful lives. Repairs are written off as incurred save that if a repair is of such a substantial nature as to change the expected life or materially change the performance of the asset, then such repairs are amortised over the unexpired useful life. The estimated useful lives of assets are as follows:

Plant and machinery	5-10 years
Fixtures and fittings	10 years
Computer equipment	Up to 5 years
Motor cars	4 years
Commercial vehicles	4-5 years

**Stocks and work-in-progress**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. The cost of work-in-progress includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the lease term in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

**Turnover**

Turnover represents the cumulative sales value of contracts excluding VAT. Turnover is recognised at a specific point during a contract when individual elements of work done with separately ascertainable values and costs can be identified.

**Pension costs**

The group contributes to defined contribution pension schemes, the funds of which are maintained separately from the group. Pension costs are charged to the profit and loss account during the year in which they are incurred.

**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**

**2. TURNOVER**

All turnover is attributable to the principal activity and derives from the United Kingdom.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>Year ended 4 October 1997 £'000</b>	<b>Year ended 5 October 1996 £'000</b>
<b>Directors' remuneration</b>		
Emoluments	201	139
Pension contributions	22	22
	<u>223</u>	<u>161</u>
 <b>Highest paid director</b>		
Emoluments	142	111
Pension contributions	22	22
	<u>164</u>	<u>133</u>
 One director is accruing benefits with the company under a defined contribution pension scheme.		
	<b>No</b>	<b>No</b>
<b>Average number of persons employed (including directors)</b>		
Production	69	72
Administration	46	49
	<u>115</u>	<u>121</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	2,734	2,702
Social security costs	270	272
Pension costs	142	153
	<u>3,146</u>	<u>3,127</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**
**4. OPERATING PROFIT**

	Year ended 4 October 1997 £'000	Year ended 5 October 1996 £'000
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	190	70
Assets held under finance lease and hire purchase agreements	183	121
Hire of plant and machinery	51	46
Other operating leases/rentals	108	96
Profit on sale of fixed assets	(7)	(5)
Auditors' remuneration		
Audit fee	16	16
	<u>          </u>	<u>          </u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 4 October 1997 £'000	Year ended 5 October 1996 £'000
Finance leases and hire purchase contracts	27	31
	<u>          </u>	<u>          </u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 4 October 1997 £'000	Year ended 5 October 1996 £'000
United Kingdom corporation tax at 32% (1996 : 33%)	571	529
Deferred taxation	(50)	(10)
	<u>          </u>	<u>          </u>
	521	519
Adjustments to prior year's tax provisions		
Corporation tax	(12)	(60)
Deferred taxation	-	(10)
Group relief	-	56
	<u>          </u>	<u>          </u>
	509	505
	<u>          </u>	<u>          </u>


**NOTES TO THE ACCOUNTS**
**Year ended 4 October 1997**
**7. DIVIDENDS**

	Year ended 4 October 1997 £'000	Year ended 5 October 1996 As restated £'000
<b>On non-equity shares</b>		
Dividends paid to the holders of 'C' ordinary shares at a rate of 1.66 pence (1996 : 1.66 pence) per share	85	85
Special dividend paid on 'C' ordinary shares at a rate of 7.40 pence (1996 : 3.91 pence) per share	379	200
 Dividends paid to the holders of 'B' ordinary shares at a rate of 1.66 pence (1996 : 1.66 pence) per share	 27	 27
Participating dividend paid on 'B' ordinary shares at a rate of Nil pence (1996 : 5.00 pence) per share	-	81
Dividend paid on 'B' ordinary shares at a rate of Nil pence (1996 : 8.28 pence) per share	-	135
Participating dividend proposed in respect of 'B' ordinary shares at a rate of 16.21 pence (1996: 13.18 pence) per share	263	214
Dividend proposed on 'B' ordinary shares at a rate of 1.7 pence per share	28	-
	<hr/> 782	<hr/> 742
<b>On equity shares</b>		
Dividend paid on 'A' ordinary shares at a rate of 2.19 pence (1996 : 8.28 pence) per share	17	65
Dividend proposed on 'A' ordinary shares at a rate of 4.125 pence per share	33	-
	<hr/> 832	<hr/> 807

**8. PROFIT AND LOSS ACCOUNT**

As permitted by Section 230 of the Companies Act 1985, a profit and loss account for the Company alone is not presented. The profit for the financial year dealt with in the accounts of the parent company amounts to £856,000 (1996 : £818,000).




**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**
**9. TANGIBLE FIXED ASSETS**

<b>The Group</b>	<b>Plant, machinery and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 6 October 1996	1,620	14	1,634
Additions	161	-	161
Disposals	(81)	(14)	(95)
At 4 October 1997	1,700	-	1,700
<b>Accumulated depreciation</b>			
At 6 October 1996	760	14	774
Charge for the year	373	-	373
Disposals	(80)	(14)	(94)
At 4 October 1997	1,053	-	1,053
<b>Net book value</b>			
At 4 October 1997	647	-	647
At 5 October 1996	860	-	860

Included in the net book value of plant, machinery and equipment at 4 October 1997 are assets held under finance lease and hire purchase agreements amounting to £439,000 (1996 : £558,000).

**10. FIXED ASSET INVESTMENTS**

<b>The Company</b>	<b>£'000</b>
<b>Shares in subsidiary undertakings</b>	
<b>Cost</b>	
At 6 October 1996	1,117
Additions	600
At 4 October 1997	1,717

At 6 October 1996 shares in subsidiary undertakings comprised the whole of the Ordinary Share capital of Barrett Steel Buildings Limited.

On 9 October 1996 the company acquired 600,000 Preferred Redeemable Shares of £1 each in Barrett Steel Buildings Limited, representing the remaining issued share capital of that company. The shares were acquired from Barrett Steel Limited, a related party as set out in note 21.

Barrett Steel Buildings Limited is a company incorporated in Great Britain and registered in England and Wales, whose principal activity is the design and construction of steel buildings.


**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**
**11. STOCKS**

	<b>The Group</b>		<b>The Company</b>	
	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>
Raw materials and consumables	19	71	-	-
Contract work-in-progress	1,168	1,751	-	-
	<u>1,187</u>	<u>1,822</u>	<u>-</u>	<u>-</u>
Progress payments	(702)	(1,215)	-	-
	<u>485</u>	<u>607</u>	<u>-</u>	<u>-</u>

There is no significant difference between the replacement cost of stocks and the amounts shown in the financial statements.

**12. DEBTORS**

	<b>The Group</b>		<b>The Company</b>	
	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>
<b>Amounts due within one year:</b>				
Trade debtors	2,058	1,607	-	-
Amounts owed by group undertakings	-	-	441	249
Other debtors	13	1	3	-
Prepayments and accrued income	78	73	-	-
Advance corporation tax recoverable	36	-	-	-
	<u>2,185</u>	<u>1,681</u>	<u>444</u>	<u>249</u>
<b>Amounts due after more than one year:</b>				
Trade debtors	132	248	-	-
	<u>2,317</u>	<u>1,929</u>	<u>444</u>	<u>249</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**
**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	The Group		The Company	
	4 October 1997 £'000	5 October 1996 £'000	4 October 1997 £'000	5 October 1996 £'000
Bank overdraft	-	-	7	-
Payments on account	140	242	-	-
Trade creditors	2,214	1,754	-	-
Obligations under finance lease and hire purchase agreements	107	106	-	-
Proposed dividend	347	214	347	214
Other creditors	4	16	-	14
Other taxes and social security	443	519	-	-
Accruals and deferred income	676	786	45	20
Corporation tax	545	471	3	9
	<u>4,476</u>	<u>4,108</u>	<u>402</u>	<u>257</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	The Group		The Company	
	4 October 1997 £'000	5 October 1996 £'000	4 October 1997 £'000	5 October 1996 £'000
Amounts due from subsidiary company	-	-	600	-
Trade creditors	-	12	-	-
Obligations under finance lease and hire purchase agreements within five years	170	246	-	-
	<u>170</u>	<u>258</u>	<u>600</u>	<u>-</u>

The loan from subsidiary company is interest free and repayable on demand. The subsidiary company has indicated that repayment will not be demanded within the next twelve months.

**15. NON-EQUITY MINORITY INTEREST**

The non-equity minority interest related to 600,000 Preferred Redeemable Shares of £1 each in Barrett Steel Buildings Limited. On 9 October 1996 these shares were acquired by Barrett Steel Engineering Limited, as set out in note 10.


**NOTES TO THE ACCOUNTS**
**Year ended 4 October 1997**
**16. PROVISIONS FOR LIABILITIES AND CHARGES**
**Deferred tax**

	<b>The Group</b>		<b>The Company</b>	
	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>
Deferred tax provision	46	96	-	-
Less advance corporation tax	(30)	(55)	-	-
	<u>16</u>	<u>41</u>	<u>-</u>	<u>-</u>
Balance at 6 October 1996	96	116	-	-
Credit for the year	(50)	(20)	-	-
Balance at 4 October 1997	<u>46</u>	<u>96</u>	<u>-</u>	<u>-</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	<b>The Group</b>			
	<b>Provided</b>	<b>Not provided</b>		
	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>	<b>4 October 1997 £'000</b>	<b>5 October 1996 £'000</b>
Capital allowances in advance of depreciation	47	112	-	-
Short term timing differences	(1)	(16)	-	-
Advance corporation tax	(30)	(55)	-	-
	<u>16</u>	<u>41</u>	<u>-</u>	<u>-</u>

There are no amounts provided or unprovided in the accounts in respect of the Company.



**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**

**17. CALLED UP SHARE CAPITAL**

	4 October 1997 £	5 October 1996 £
Authorised		
800,000 'A' ordinary shares of £0.01 each	8,000	8,000
1,624,242 'B' ordinary shares of £0.01 each	16,242	16,242
5,118,615 'C' ordinary shares of £0.01 each	51,186	51,186
	<u>75,428</u>	<u>75,428</u>
Called up, allotted and fully paid		
<b>Equity shares</b>		
800,000 'A' ordinary shares of £0.01 each	8,000	8,000
<b>Non-equity shares</b>		
1,624,242 'B' ordinary shares of £0.01 each	16,242	16,242
5,118,615 'C' ordinary shares of £0.01 each	51,186	51,186
	<u>67,428</u>	<u>67,428</u>
	<u>75,428</u>	<u>75,428</u>

**Rights attaching to each class of share**

i) Rights to dividends

The profits of the company available for distribution shall be applied:

- first in paying in priority to any other dividends to 'B' and 'C' ordinary shareholders a fixed net cash cumulative dividend ('Fixed Dividend') of 1.66 pence per share, the first payment was due on 31 March 1995 and payable half-yearly in every year thereafter;
- next in paying to the 'B' ordinary shareholders a net cash cumulative dividend ('Participating Dividend') determined as specified in the Articles of Association;
- next in paying to the 'C' ordinary shareholders a net cash dividend ('Special Dividend') of the following amounts on the following dates:

	£
30 June 1995	100,000
31 December 1995	100,000
30 June 1996	100,000
31 December 1996	100,000
30 June 1997	278,788
31 December 1997	278,788

- next in paying to the 'A' and 'B' ordinary shares any further profits which the company determines to distribute.

ii) Return of capital

On a return of capital, surplus assets are to be applied:

- first, to holders of 'C' ordinary shares the outstanding Special Dividend to date plus any arrears of the Fixed Dividend
- next to the holders of 'B' ordinary shares an amount of 10p per share plus any arrears of the Fixed Dividend and the Participating Dividend
- next to the 'A' ordinary shareholders an amount of 10p per share
- for any balance to the holders of 'A' and 'B' ordinary shares





**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**

**17. CALLED UP SHARE CAPITAL (continued)**

iii) Voting rights attaching to shares

'C' ordinary shareholders have no voting rights unless:

- at the date of the notice or requisition to convene a meeting the Fixed Dividend or the Special Dividend is six months in arrears; or
- the business of the meeting includes the consideration of a resolution for winding up the company, reducing the company's share capital or altering any of the rights of the 'C' ordinary shares.

iv) Further rights and restrictions for 'C' ordinary shares

On a sale or quotation or upon the company giving one week's notice in writing the 'C' ordinary shareholders shall have the following rights and restrictions:

- to income, a net cash dividend of the outstanding Special Dividend ('Exit Dividend') and a fixed cash dividend of 5% per annum of the nominal value for any financial year in which adjusted profits exceed £5,000 million
- to capital, after payment of the Exit Dividend and any other dividend arrears, a return of paid up capital after £10 million has been distributed in respect of each 'A' ordinary share.

**18. RESERVES**

	<b>The Group</b>		
	<b>Share premium account £'000</b>	<b>Profit and loss account £'00</b>	<b>Goodwill reserve £'000</b>
At 5 October 1996	1,045	304	(696)
Retained profit for the financial year	-	272	-
At 4 October 1997	<u>1,045</u>	<u>576</u>	<u>(696)</u>

	<b>The Company</b>	
	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>
At 5 October 1996	1,045	15
Retained profit for the financial year	-	24
At 4 October 1997	<u>1,045</u>	<u>39</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**

**19. NON-EQUITY SHAREHOLDERS' FUNDS**

	4 October 1997 £'000	5 October 1996 As restated £'000
In respect of 'B' ordinary shares	241	241
In respect of 'C' ordinary shares	760	760
Non-equity shareholders' funds	<u>1,001</u>	<u>1,001</u>

The Company's 'B' Ordinary Shares have been reclassified from equity shareholders' funds to non-equity shareholders' funds in order to more fully reflect the detailed requirements of Financial Reporting Standard 3.

**20. FINANCIAL COMMITMENTS**

	The Group 4 October 1997 £'000	5 October 1996 £'000
<b>Capital commitments</b>		
Contracted for but not provided	-	34

**Operating lease commitments**

	4 October 1997 £'000	5 October 1996 £'000
The following payments are due within the next year in respect of leases which expire:		
Within one year	8	17
Within 2 to 5 years	68	63
	<u>76</u>	<u>80</u>

**21. RELATED PARTY TRANSACTIONS**

R Butcher, R B Barrett, J S Barrett and P C Chasney are each directors and shareholders of Barrett Steel Limited and Barrett Steel Engineering Limited. A related party relationship therefore exists as a result of common control of the entities. During the year Barrett Steel Limited supplied to Barrett Steel Buildings Limited, a subsidiary of Barrett Steel Engineering Limited, steel with a value of £3,048,000 (1996 : £2,677,000). This supply arrangement is on an arms length basis. Barrett Steel Buildings Limited also incurred rental costs of £100,000 (1996 : £100,000) and service charges of £96,000 (1996 : £96,000) from Barrett Steel Limited.

At 4 October 1997 Barrett Steel Buildings Limited owed Barrett Steel Limited an amount of £644,000 (1996 : £408,000).




**NOTES TO THE ACCOUNTS**  
**Year ended 4 October 1997**
**22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	4 October 1997 £'000	5 October 1996 £'000
Operating profit	1,567	1,438
Depreciation	373	191
Profit on disposal of fixed assets	(7)	(5)
Decrease in stocks	122	241
(Increase)/decrease in debtors	(352)	302
Increase/(decrease) in creditors	148	(546)
Net cash inflow from operating activities	<u>1,851</u>	<u>1,621</u>

**23. ANALYSIS OF CHANGES IN NET FUNDS**

	Balance as at 6 October 1996 £'000	Cash flows £'000	Other changes £'000	Balance as at 4 October 1997 £'000
Cash in hand and at bank	2,339	(126)	-	2,213
Finance lease and hire purchase agreements	(352)	114	(39)	(277)
	<u>1,987</u>	<u>(12)</u>	<u>(39)</u>	<u>1,936</u>

**24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Year ended 4 October 1997 £'000	Year ended 5 October 1996 £'000
(Decrease)/increase in cash in the year	(126)	756
Cash outflow from reduction in finance lease and hire purchase agreements	114	99
Change in net funds arising from cash flows	(12)	855
New finance lease and hire purchase agreements	(39)	(152)
Movement in net funds in the year	(51)	703
Opening net funds	<u>1,987</u>	<u>1,284</u>
Closing net funds	<u>1,936</u>	<u>1,987</u>