

Barclay & Mathieson Limited
Directors' report and financial statements
for the year ended 31 August 2002

Registered Number SC30987



Barclay & Mathieson Limited

Directors' report and financial statements for the year ended 31 August 2002

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Barclay & Mathieson Limited

Directors' report for the year ended 31 August 2002

The directors submit their annual report and the audited financial statements of the company and the group for the year ended 31 August 2002.

Principal activities and business review

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 £410,625 (2001: £223,698).

The directors do not propose payment of a dividend for the year (2001: £nil). The profit for the financial year of £410,625 (2001: £223,698) 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.

| | 2002 Number | 2001 Number |
|-----------------------------|----------------|----------------|
| Mr P P Bradburn | 765 | 595 |
| Mrs A E Dykes (Chairperson) | 100 | 100 |
| Mr J Walker | 4,595 | 4,825 |
| Mr M J Norrie | 275 | 275 |

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 2002 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

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

20 November 2002

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.

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 2002 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

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Glasgow

20 November 2002

Barclay & Mathieson Limited

Consolidated profit and loss account for the year ended 31 August 2002

| | Note | 2002 £ | 2001 £ |
|--|------|----------------|----------------|
| Turnover - continuing operations | 1 | 21,063,450 | 21,110,619 |
| Cost of sales | | (16,045,399) | (16,384,855) |
| Gross profit | | 5,018,051 | 4,725,764 |
| Net operating expenses | | (4,205,570) | (4,057,044) |
| Operating profit | | 812,481 | 668,720 |
| Interest receivable | | 622 | 925 |
| Interest payable | 6 | (209,921) | (316,065) |
| Profit on ordinary activities before taxation | 2 | 603,182 | 353,580 |
| Tax on profit on ordinary activities | 7 | (192,557) | (129,882) |
| Profit for the financial year | 18 | 410,625 | 223,698 |

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 |
|--|------------------|--------------|------------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Profit attributable to shareholders | 410,625 | 223,698 | 424,026 | 324,478 |
| Shareholders' funds at 1 September 2001 | 2,929,844 | 2,706,146 | 3,040,098 | 2,715,620 |
| Shareholders' funds at 31 August 2002 | 3,340,469 | 2,929,844 | 3,464,124 | 3,040,098 |

Barclay & Mathieson Limited

Consolidated balance sheet as at 31 August 2002


| | Note | 2002 £ | 2001 £ |
|--|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 8 | 3,006,564 | 3,053,801 |
| Current assets | | | |
| Stock | 10 | 2,934,762 | 2,769,971 |
| Debtors | 11 | 5,350,358 | 5,269,429 |
| Investments | 12 | 825 | 960 |
| Cash at bank and in hand | | 14,336 | 12,610 |
| | | 8,300,281 | 8,052,970 |
| Creditors: amounts falling due within one year | 13 | (7,571,660) | (7,430,180) |
| Net current assets | | 728,621 | 622,790 |
| Total assets less current liabilities | | 3,735,185 | 3,676,591 |
| Creditors: amounts falling due after more than one year | 14 | (202,716) | (571,747) |
| Provisions for liabilities and charges | 16 | (192,000) | (175,000) |
| Net assets | | 3,340,469 | 2,929,844 |
| Capital and reserves | | | |
| Called up share capital | 17 | 8,600 | 8,600 |
| Capital redemption reserve | | 21,400 | 21,400 |
| Profit and loss account | 18 | 3,310,469 | 2,899,844 |
| Total shareholders' funds | | 3,340,469 | 2,929,844 |

Barclay & Mathieson Limited

Balance sheet as at 31 August 2002

| | Note | 2002 £ | 2001 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 2,966,392 | 3,003,642 |
| Investments | 9 | 1,691,792 | 1,691,792 |
| | | 4,658,184 | 4,695,434 |
| Current assets | | | |
| Stock | 10 | 2,905,367 | 2,745,990 |
| Debtors | 11 | 5,423,383 | 5,210,162 |
| Investments | 12 | 825 | 960 |
| Cash at bank and in hand | | 14,284 | 12,575 |
| | | 8,343,859 | 7,969,687 |
| Creditors: amounts falling due within one year | 13 | (7,451,698) | (7,186,771) |
| Net current assets | | 892,161 | 782,916 |
| Total assets less current liabilities | | 5,550,345 | 5,478,350 |
| Creditors: amounts falling due after more than one year | 14 | (1,894,221) | (2,263,252) |
| Provisions for liabilities and charges | 16 | (192,000) | (175,000) |
| Net assets | | 3,464,124 | 3,040,098 |
| Capital and reserves | | | |
| Called up share capital | 17 | 8,600 | 8,600 |
| Capital redemption reserve | | 21,400 | 21,400 |
| Profit and loss account | 18 | 3,434,124 | 3,010,098 |
| Total shareholders' funds | | 3,464,124 | 3,040,098 |

The financial statements on pages 4 to 25 were approved by the board of directors on 20 November 2002 and were signed on its behalf by:


J Walker
Director

Barclay & Mathieson Limited

Consolidated cash flow statement for the year ended 31 August 2002

| | | Group | | Group | |
|---|------|-----------|-----------|-----------|-----------|
| | Note | 2002 | 2002 | 2001 | 2001 |
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 20 | | 1,188,870 | | 872,256 |
| Returns on investment and servicing of finance | | | | | |
| Interest received | | 622 | | 925 | |
| Interest paid on finance lease | | (2,968) | | (1,606) | |
| Interest paid | | (206,953) | | (314,459) | |
| Net cash flow from returns on investment and servicing of finance | | | (209,299) | | (315,140) |
| Taxation | | | (107,554) | | (10,282) |
| Capital expenditure and financial investment | | | | | |
| Sale of tangible fixed assets | | 43,012 | | 89,476 | |
| Repayment of loan from employee benefit trust | | 110,000 | | 141,500 | |
| Purchase of tangible fixed assets | | (299,966) | | (171,833) | |
| | | | (146,954) | | 59,143 |
| Equity dividends paid | | | | | - |
| Net cash flow before financing | | | 725,063 | | 605,977 |
| Financing | | | | | |
| Capital element of finance lease rental | | (19,031) | | (10,347) | |
| Term loan repaid | | (557,085) | | (756,646) | |
| Net cash outflow from financing | | | (576,116) | | (766,993) |
| Increase/(decrease) in net cash | 21 | | 148,947 | | (161,016) |

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 £424,026 (2001: £324,478).

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 2002

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

| | 2002 | 2001 |
|---|----------|----------|
| | £ | £ |
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 332,766 | 317,513 |
| Auditors' remuneration - audit | 24,000 | 23,000 |
| Operating lease rentals - hire of vehicles | 49,661 | 78,124 |
| Gain on sale of tangible fixed assets | (28,575) | (26,837) |
| Contribution to employee benefit trust | 155,000 | 141,500 |

Auditors' remuneration in respect of the audit of the company's statutory financial statements amounted to £20,850 (2001: £20,000).

Fees paid to the auditors in respect of other services provided amounted to £6,895 (2001: £24,500).

3 Employee information

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

| | 2002 | 2001 |
|--|--------|--------|
| | Number | Number |
| | 177 | 173 |

Barclay & Mathieson Limited

4 Employee costs

| | 2002 | 2001 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,063,273 | 2,901,875 |
| Social security costs | 206,866 | 208,309 |
| Other pensions costs (note 23) | 324,853 | 303,593 |
| Staff costs | 3,594,992 | 3,413,777 |

5 Directors' emoluments

Directors' emoluments, excluding pension contributions, amounted to £249,219 (2001: £226,619).

Company contributions paid to money purchase pension schemes in the year were £35,485 (2001: £35,485).

Retirement benefits are accruing to three directors (2001: three) under a defined contribution (money purchase) pension scheme and to two directors (2001: two) under a defined benefit scheme.

Total emoluments attributable to the highest paid director were £99,259 (2001: £87,904). Company contributions paid to a money purchase pension scheme in respect of the highest paid director were £26,454 (2001: £26,454). No benefits are accruing to him under a defined benefits scheme.

6 Interest payable

| | 2002 | 2001 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| Interest on bank loans and overdrafts | 206,953 | 314,459 |
| Interest on hire purchase agreement | 2,968 | 1,606 |
| | 209,921 | 316,065 |

Barclay & Mathieson Limited

7 Tax on profit/(loss) on ordinary activities

| | 2002 £ | 2001 £ |
|--|----------------|----------------|
| Taxation on the profit for the year | | |
| UK corporation tax at 30% (2001: 30%) | 179,052 | 138,002 |
| Prior year adjustment for under/(over) provision | (3,495) | 6,880 |
| Total current tax | 175,557 | 144,882 |
| Deferred tax | | |
| Current year charge (note 16) | 17,000 | (15,000) |
| Tax on profit on ordinary activities | 192,557 | 129,882 |

Factors affecting tax charge for the year:

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Profit before tax | 603,182 | 353,580 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2001: 30%) | 180,955 | 106,074 |
| Effects of: | | |
| Marginal relief | (3,586) | - |
| Expenses not deductible for tax purposes | 2,884 | 6,644 |
| Depreciation for the year in excess of capital allowances | 3,194 | 5,476 |
| Other | 4,014 | 3,023 |
| Short term timing differences | (10,292) | 1,501 |
| Prior period adjustments to current tax charge | (3,495) | 6,880 |
| Group relief | 1,883 | 15,284 |
| Total current tax charge for the year | 175,557 | 144,882 |

Barclay & Mathieson Limited

8 Tangible assets

| Group | Land and buildings £ | Vehicles, plant and machinery £ | Fixtures and fittings £ | Total £ |
|---------------------------------|----------------------------|--|-------------------------------|------------------|
| Cost | | | | |
| At 1 September 2001 | 3,089,779 | 2,117,045 | 579,615 | 5,786,439 |
| Additions | - | 290,478 | 9,488 | 299,966 |
| Disposals | (11,229) | (243,810) | - | (255,039) |
| At 31 August 2002 | 3,078,550 | 2,163,713 | 589,103 | 5,831,366 |
| Accumulated depreciation | | | | |
| At 1 September 2001 | 638,046 | 1,647,573 | 447,019 | 2,732,638 |
| Charge for the year | 60,926 | 222,584 | 49,256 | 332,766 |
| Disposals | - | (240,602) | - | (240,602) |
| At 31 August 2002 | 698,972 | 1,629,555 | 496,275 | 2,824,802 |
| Net book amount | | | | |
| At 31 August 2002 | 2,379,578 | 534,158 | 92,828 | 3,006,564 |
| At 31 August 2001 | 2,451,733 | 469,472 | 132,596 | 3,053,801 |
| Company | | | | |
| Cost | | | | |
| At 1 September 2001 | 3,089,779 | 1,969,088 | 574,770 | 5,633,637 |
| Additions | - | 277,485 | 8,488 | 285,973 |
| Inter-company transfers | - | 13,611 | - | 13,611 |
| Disposals | (11,229) | (239,322) | - | (250,551) |
| At 31 August 2002 | 3,078,550 | 2,020,862 | 583,258 | 5,682,670 |
| Accumulated depreciation | | | | |
| At 1 September 2001 | 638,046 | 1,549,773 | 442,176 | 2,629,995 |
| Charge for the year | 60,926 | 209,065 | 49,004 | 318,995 |
| Inter-company transfers | - | 3,403 | - | 3,403 |
| Disposals | - | (236,115) | - | (236,115) |
| At 31 August 2002 | 698,972 | 1,526,126 | 491,180 | 2,716,278 |
| Net book amount | | | | |
| At 31 August 2002 | 2,379,578 | 494,736 | 92,078 | 2,966,392 |
| At 31 August 2001 | 2,451,733 | 419,315 | 132,594 | 3,003,642 |

Barclay & Mathieson Limited

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

| | 2002 | 2001 |
|----------------------------|---------------|---------------|
| | £ | £ |
| Plant and machinery | | |
| Cost | 80,401 | 80,401 |
| Depreciation | (40,202) | (20,100) |
| Net book value | 40,199 | 60,301 |

9 Fixed asset investments

| Company | Investment in subsidiary undertaking | Amounts due from subsidiary undertaking | Total |
|--|--------------------------------------|---|------------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 September 2001 and 31 August 2002 | 1,971,792 | 1,300,564 | 3,272,356 |
| Provisions | | | |
| At 1 September 2001 and 31 August 2002 | 280,000 | 1,300,564 | 1,580,564 |
| Net book amount | | | |
| At 31 August 2002 | 1,691,792 | - | 1,691,792 |
| At 31 August 2001 | 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

10 Stocks

| | Group | Group | Company | Company |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Raw materials | 15,823 | 10,614 | - | - |
| Work in progress | 13,572 | 13,367 | - | - |
| Finished goods and goods for resale | 2,905,367 | 2,745,990 | 2,905,367 | 2,745,990 |
| | 2,934,762 | 2,769,971 | 2,905,367 | 2,745,990 |

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

11 Debtors

| | Group | Group | Company | Company |
|---|------------------|------------------|------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Debtors – amounts falling due within one year | | | | |
| Trade debtors | 4,393,905 | 4,432,264 | 4,270,362 | 4,349,387 |
| Other debtors, prepayment and accrued income | 606,453 | 377,165 | 603,043 | 366,981 |
| Amounts owed by subsidiary undertakings | - | - | 199,978 | 33,794 |
| Loan to employee benefit trust | - | 60,000 | - | 60,000 |
| | 5,000,358 | 4,869,429 | 5,073,383 | 4,810,162 |
| Debtors – amounts falling due after more than one year | | | | |
| Loan to employee benefit trust | 350,000 | 400,000 | 350,000 | 400,000 |
| | 5,350,358 | 5,269,429 | 5,423,383 | 5,210,162 |

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

12 Current asset investments

| | Group and Company |
|--|-------------------|
| All investments are in UK listed companies | £ |
| Cost | |
| At 1 September 2001 and 31 August 2002 | 1,350 |
| Provisions for diminution in value | |
| At 1 September 2001 | 390 |
| Increase in provision | 135 |
| At 31 August 2002 | 525 |
| Net book value | |
| At 31 August 2002 | 825 |
| At 31 August 2001 | 960 |

13 Creditors – Amounts falling due within one year

| | Group 2002 £ | Group 2001 £ | Company 2002 £ | Company 2001 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Bank overdrafts | 3,048,089 | 3,195,310 | 2,998,071 | 3,019,837 |
| Current instalments due on bank loan (note 15) | 350,000 | 557,085 | 350,000 | 550,000 |
| Trade creditors | 3,114,969 | 2,826,762 | 3,101,286 | 2,789,633 |
| Other taxation and social security | 373,208 | 388,457 | 335,691 | 364,778 |
| Hire Purchase creditor falling due in one year (note 15) | 19,031 | 19,031 | 19,031 | 19,031 |
| Other creditors | 450,363 | 295,535 | 427,619 | 273,492 |
| Corporation tax | 216,000 | 148,000 | 220,000 | 170,000 |
| | 7,571,660 | 7,430,180 | 7,451,698 | 7,186,771 |

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.

Barclay & Mathieson Limited

14 Creditors – Amounts falling due after more than one year

| | Group | Group | Company | Company |
|---------------------------------------|---------|---------|-----------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Amount owed to subsidiary undertaking | - | - | 1,691,505 | 1,691,505 |
| Hire purchase creditors (note 15) | 27,716 | 46,747 | 27,716 | 46,747 |
| Bank loans (note 15) | 175,000 | 525,000 | 175,000 | 525,000 |
| | 202,716 | 571,747 | 1,894,221 | 2,263,252 |

15 Analysis of maturity of debt

| | Note | Group | Group | Company | Company |
|---------------------------------------|------|---------|-----------|-----------|-----------|
| | | 2002 | 2001 | 2002 | 2001 |
| | | £ | £ | £ | £ |
| Due in less than one year | | | | | |
| Hire purchase creditors | 13 | 19,031 | 19,031 | 19,031 | 19,031 |
| Bank loans | 13 | 350,000 | 557,085 | 350,000 | 550,000 |
| Due within one to two years | | | | | |
| Hire purchase creditors | 14 | 19,031 | 19,031 | 19,031 | 19,031 |
| Bank loans | 14 | 175,000 | 350,000 | 175,000 | 350,000 |
| Due within two to five years | | | | | |
| Hire purchase creditor | 14 | 8,685 | 27,716 | 8,685 | 27,716 |
| Bank loans | 14 | - | 175,000 | - | 175,000 |
| Amount owed to subsidiary undertaking | 14 | - | - | 1,691,505 | 1,691,505 |
| | | 571,747 | 1,147,863 | 2,263,252 | 2,832,283 |

The balance of a bank loan is £525,000 (2001: £875,000), of which £175,000 (2001: £525,000) falls due after more than one year.

Barclay & Mathieson Limited

16 Provisions for liabilities and charges

| | Group £ | Company £ |
|--|----------------|----------------|
| Movements on the deferred tax account during the year were as follows: | | |
| At 1 September 2001 | 175,000 | 175,000 |
| Transfer from profit and loss account: | | |
| - current year (note 7) | 17,000 | 17,000 |
| At 31 August 2002 | 192,000 | 192,000 |

The amounts provided at 30% (2001: 30%) and total potential liability are:

| | Amount provided | | Total potential liability | |
|--|-----------------|----------------|---------------------------|----------------|
| | Group £ | Company £ | Group £ | Company £ |
| Excess of capital allowances over depreciation | 140,500 | 140,500 | 140,500 | 140,500 |
| Other timing differences | 51,500 | 51,500 | 51,500 | 51,500 |
| | 192,000 | 192,000 | 192,000 | 192,000 |

17 Called up share capital

| | 2002 £ | 2001 £ |
|---|----------------|-----------|
| 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 2001 | 2,899,844 | 3,010,098 |
| Retained profit for the financial year | 410,625 | 424,026 |
| At 31 August 2002 | 3,310,469 | 3,434,124 |

Barclay & Mathieson Limited

19 Financial commitments

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

| | Land and buildings | | Other | |
|-------------------------|--------------------|---------------|---------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Leases expiring within: | | | | |
| One year | - | 25,000 | 11,363 | 27,605 |
| Two to five years | 88,100 | 59,000 | 16,188 | 16,848 |
| Over five years | 10,800 | 10,800 | - | - |
| | 98,900 | 94,800 | 27,551 | 44,453 |

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

| | 2002 | 2001 |
|---|------------------|----------------|
| | £ | £ |
| Continuing operations | | |
| Operating profit | 812,481 | 668,720 |
| Depreciation | 332,766 | 317,513 |
| Gain on disposal of fixed tangible assets | (28,575) | (26,837) |
| Increase in provision against current asset investments | 135 | 98 |
| Increase in stocks | (164,791) | (259,405) |
| Increase in debtors | (190,929) | (56,779) |
| Increase in creditors | 427,783 | 228,946 |
| Net cash flow from continuing operations | 1,188,870 | 872,256 |

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21 Reconciliation of net cash flow to movement in net debt

| | 2002 £ | 2001 £ |
|---|--------------------|--------------------|
| Increase/(decrease) in cash in the year | 148,947 | (161,016) |
| Capital element of finance lease | 19,031 | 10,347 |
| Repayment of loan | 557,085 | 756,646 |
| Change in net debt resulting from cash flows | 725,063 | 605,977 |
| New Finance leases | - | (76,125) |
| Net debt at 1 September 2001 | (4,330,563) | (4,860,415) |
| Net debt at 31 August 2002 | (3,605,500) | (4,330,563) |

22 Analysis of changes in net debt

| | At 1 September 2001 £ | Cash flow £ | Other non- cash changes £ | At 31 August 2002 £ |
|--------------------------|--------------------------------|-------------------|------------------------------------|------------------------------|
| Cash at bank and in hand | 12,610 | 1,726 | - | 14,336 |
| Overdrafts | (3,195,310) | 147,221 | - | (3,048,089) |
| Subtotal | (3,182,700) | 148,947 | - | (3,033,753) |
| Debt due after 1 year | (525,000) | 350,000 | - | (175,000) |
| Debt due within 1 year | (557,085) | 207,085 | - | (350,000) |
| Finance leases | (65,778) | 19,031 | - | (46,747) |
| Total | (4,330,563) | 725,063 | - | (3,605,500) |

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.

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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 £324,853 (2001: £303,593). At 31 August 2002 there are amounts recorded in other debtors representing payment of contributions in advance of £354,524 (2001: £258,426).

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

| | Projected unit | |
|---|----------------|------|
| | 2002 | 2001 |
| Discount rate | 5.5% | 5.8% |
| Inflation rate | 2.5% | 2.7% |
| Increases to pension in payment: | | |
| Post 6 April 1997 accrual | 2.5% | 2.7% |
| Rate of revaluation of deferred pensions in excess of GMP | 2.5% | 2.7% |
| Rate of increase in salaries | 4.0% | 4.2% |

| The assets in the scheme and the expected rate of return were: | Long-term rate of return expected | Value at 31 August 2002 £ | Long-term rate of return expected | Value at 31 August 2001 £ |
|--|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| Equities | 8.75% | 3,430,000 | 7.0% | 3,575,000 |
| Bonds | 5.25% | 469,000 | 6.0% | 439,000 |
| Other | 4.00% | 246,000 | 5.0% | 445,000 |
| Total market value of assets | | 4,145,000 | | 4,459,000 |
| Present value of scheme liabilities | | (5,575,000) | | (4,698,000) |
| Deficit in the scheme | | (1,430,000) | | (239,000) |
| Related deferred tax asset | | 429,000 | | 72,000 |
| Net pension liability | | (1,001,000) | | (167,000) |

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23 Pension scheme (continued)

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:

| | 2002 £ |
|-------------------------------|------------|
| Current service | 209 |
| Past service cost | - |
| Total operating charge | 209 |

Analysis of the amount credited to other finance income:

| | 2002 £ |
|--|-----------|
| Expected return on provision scheme assets | 307 |
| Interest on pension scheme liabilities | (281) |
| Net return | 26 |

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

| | 2002 £ |
|--|----------------|
| Actual return less expected return on pension scheme assets | (852) |
| Experienced gains and losses arising on the scheme liabilities | (233) |
| Change in assumptions underlying the present value of the scheme liabilities | (168) |
| Actuarial loss recognised in the STRGL | (1,253) |

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23 Pension scheme (continued)

Movement in surplus during the year:

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

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23 Pension scheme (continued)

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

An actuarial valuation was carried out at 6 April 2002 by a qualified actuary. The major assumptions used by the actuary were:

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

| | 2002 |
|--|-------------|
| Discount rate | 5.5% |
| Inflation rate | 2.5% |
| Increases to pension in payment: | |
| Post 6 April 1997 accrual | 2.5% |
| Rate of revaluation of deferred pensions | 2.5% |
| Guaranteed minimum pensions accrued after 6 April 1998 | 2.1% |
| Salary increases | 4.0% |

| The assets in the scheme and the expected rate of return were: | Long-term rate of return expected | Value at 31 August 2002 |
|---|--|--------------------------------|
| | | £ |
| Equities | 7.5% | 518,600 |
| Bonds | 5.5% | 72,400 |
| Other | 5.5% | 39,100 |
| Total market value of assets | | 630,100 |
| Present value of scheme liabilities | | (915,300) |
| Deficit in the scheme | | (285,200) |
| Related deferred tax asset | | 85,560 |
| Net pension liability | | (199,640) |

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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 2002 would be as follows:

| | 2002 £000 |
|---|--------------|
| Net assets excluding pension liability | 3,340,469 |
| Pension liability – scheme 1 | (1,001,000) |
| Pension liability – scheme 2 | (199,640) |
| Net assets including pension liabilities | 2,139,829 |
| | |
| Profit and loss reserve excluding pension liability | 3,310,469 |
| Pension liability – scheme 1 | (1,001,000) |
| Pension liability – scheme 2 | (199,640) |
| Profit and loss reserve | 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.

There were no other related party transactions in the year.

25 Subsequent events

On 2 September 2002, Barclay & Mathieson acquired 32,500 £1 “B” Ordinary Shares in Clyde Corrosion Control Limited representing 50% of the share capital.