

Barr Limited

**Directors' report and consolidated financial
statements**

Registered number SC060291

31 March 2003



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities

The Company trades as building and civil engineering contractors carrying out a mixed workload throughout the UK. The Industrial Services Division quarries and produces building products including drystone readymix concrete and coated products, sold mainly in the South West of Scotland. The Company is also involved in the manufacture of precast and structural steel for projects UK wide, waste management and plant and crane hire, waste disposal and plant hire. The company's subsidiary undertaking, Barr Environmental Limited, is involved in waste management and disposal.

Results and dividends

The trading results to March 2003 show that the group lost £3.178m after tax in the year. Having recognised the trading issues Barr Holdings Ltd, the Company's holding company embarked on a strategic review followed by a major reorganisation of the entire group's activities, details of which are provided in the future development section shown below.

The strategic review was directed towards streamlining the entire group's operations and focusing on core activities. Accordingly the group's stadium management activities of Ayr United Football Club, and the operation of the Centrum Ice Rink were examined. Over the past five years these activities have been a significant cause of the poor financial performance of Barr Limited and the resultant deterioration in its Balance Sheet. The Barr Holdings Limited group could not continue to operate activities which have such a significant impact on the manner in which the group is structured, operated and financed, with a consequential impact upon the performance of Barr Limited. Accordingly, the Centrum Ice Rink was fully closed in February 2003 and the group's investment in Ayr United Football Club was sold in August 2003.

The Construction division traded at a loss due to the low level of activity caused at that time by the lack of confidence in the Group, losses on the Company's civil engineering contracts and significant provisions for loss making contracts commenced prior to March 2003.

No dividends have been paid and no final dividend is proposed.

Current and future trading and developments

The directors of Barr Holdings Limited embarked on a major review and reorganisation of activities in the Autumn of 2002 having previously commissioned a financial report by a firm of professional Accountants. The review was undertaken by two new Directors who were appointed on 5 August 2002, Anthony Rush, Group Deputy Chairman and Ron MacDonald, Group Finance Director. An outcome of that review was that new shareholders were added and voting control of Barr Holdings Limited was reorganised. The shareholders of Barr Holdings Limited now comprise the original shareholders, The Royal Bank of Scotland Plc, two existing Directors - Barclay Chalmers and Sandy Milligan, and Anthony Rush and Ron MacDonald.

The directors can report that the unaudited consolidated trading results of Barr Limited for the six months to 30 September 2003 show a marked improvement on the year ending 31 March 2003. A profit before tax of £3.672m has been achieved. The Interim Report is available on our website www.barr.co.uk.

Highlights on achieving the profit of £3.672m include:

- Turnover £84.1m compares with £97.9m for full year to 2002/03
- Construction turnover £69.8m more than double six months to September 2002.
- Construction returned to profitability

This financial turnaround is taking place in parallel with a significant reorganisation of the Company's management systems and culture. Barr Limited now empowers its senior managers and executives to run and be responsible for their business centres. These managers and executives are expected to reach the highest possible levels of achievement in terms of health and safety and overall performance.

Directors' report (continued)

Current and future trading and developments (continued)

Barr Limited will continue to focus on developing and growing its building and building product activities. The Company has ceased tendering for major civil engineering projects. The directors have decided that the Company should concentrate its efforts on providing a design and build/turnkey service to individual clients and niche markets, building on its extensive experience in stadium and retail developments. Barr Limited has completed 27 stadium projects and 42 retail developments in the last 5 years.

In past years the Company has successfully carried out major road projects for the Scottish Executive, the directors have decided that the Company is not capable of being viably competitive in this market unless the Scottish Executive's method of procurement is changed to one which creates a more 'level playing field' for companies such as Barr Limited.

The Company will continue to carry out a mixture of quarrying and building product sales in its home market of South-West Scotland utilising its quarry resources. These resources have been extended by adding new equipment to its quarry at Dalry including a new coating plant. The Company plans new readymix concrete plants to serve its existing markets and new markets in the Strathclyde Area. The Company are also embarked on an expansion programme at its Creetown Factory which in the first instance will double its capacity to fabricate structural steel. These developments will allow the Company to expand sales to external customers whilst supporting its building and civil engineering activities.

The Company is rationalising its plant hire company to act in a limited capacity in its home market. Waste and crane hire continue to form part of the Company's plans.

Given the traditional seasonality in the second half of the year and barring unforeseen circumstances the directors believe the Company should produce a consolidated profit before tax for the full year of not less than £3.672m.

The combination of improved profitability and improved liquidity has increased the confidence of stakeholders in all areas of the business and created a platform from which the Company's business can go forward.

Great credit is due to both the management and staff of the Company who have demonstrated great resilience over a very difficult period and shown they had the determination and ability to re-establish the Company as a trading force.

Directors and directors' interests

The directors did not hold any interest in the share capital of the Company during the financial year.

The composition of the board of directors, and their interests in the share capital of the parent company, Barr Holdings Limited, at 31 March 2003, are as follows:

	Ordinary shares of £1 each
WJ Barr OBE CEng FICE FCIQB FIMgt (retired and resigned 23 May 2003)	70,000
JD Barr	70,000
AD Barr	70,000
JB Chalmers BSc CEng MICE	-
JE Eyley BA ACMA (resigned 23 May 2003)	-
WA Milligan ARICS	-
D Stevenson BSc (resigned 31 July 2003)	-
AC Towers BAcc MIMgt CA (resigned 31 October 2003)	-
AJ Rush (appointed 23 May 2003)	-
RS MacDonald BA CA (appointed 23 May 2003)	-

On 23 May 2003 AJ Rush was appointed executive chairman and director.

In accordance with the Articles of Association none of the directors are required to retire.

Directors' report (continued)

Employees

The Company has adopted employment policies and has designed appropriate personnel policies to provide equal opportunities to all irrespective of sex, race, disability, gender reassignment, religion or belief.

Bearing in mind the constraints of the unsuitable working environment in this industry, the Company employs disabled persons where they are capable of adequately fulfilling the requirements of any vacant jobs. When an employee becomes disabled every effort is made to ensure continuity of employment.

It is the policy of the Company that the training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

The directors recognise the importance of good communications and relations with employees. The management of each of the Company's activities is responsible for the development and employee involvement as appropriate to its own particular needs. The management have been given autonomy within a Company policy and structure to be fully accountable for their own actions. Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the Company. Regular communications are held with representatives of staff at all levels. In addition, employees are informed by regular internal newsletters of the progress of the Barr Holdings Limited Group, both in general terms and more specifically in health and safety matters.

Health & Safety

The Company values the contribution by its employees and seeks to conduct its activities in a manner which is committed to their health, safety and wellbeing. It is the policy of the Company to ensure, as far as is reasonably practicable, the provision and maintenance of:

- Safe and healthy working conditions, equipment and systems of work for all employees.
- Such resources, information, training and supervision as are needed for these purposes.
- A health and safety ethos that is fully integrated into the management and decision-making processes within the organisation.

The Company also accepts its responsibilities for the health and safety of other people who may be affected by its activities.

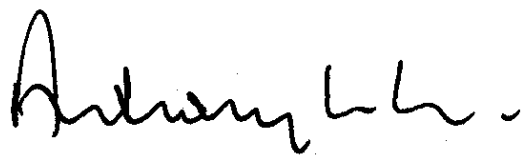
Compliance with corporate policy is monitored and audited by independent and external advisors and a comprehensive monthly health and safety report is produced for management and board meetings.

Political and charitable donations

Charitable donations made during the year amounted to £37,100 (2002: £33,274). No political donations were made.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.



AJ Rush
Executive Chairman

Killoch
Ochiltree
KA18 2RL

22 December 2003

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 of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

24 Blythwood Square
Glasgow
G2 4QS
United Kingdom

Report of the independent auditors to the members of Barr Limited

We have audited the financial statements on pages 6 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the group is not disclosed.

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 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 the affairs of the company and the group as at 31 March 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

22 December 2003

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

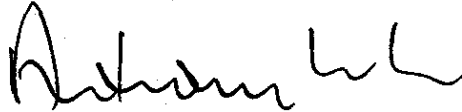
	<i>Note</i>	2003 £000	2002 £000
Turnover	2	97,946	112,060
Cost of sales		(95,453)	(108,616)
		<hr/>	<hr/>
Gross profit		2,493	3,444
Administration expenses		(5,508)	(7,866)
Other operating income	3	10	20
		<hr/>	<hr/>
Operating loss	4	(3,005)	(4,402)
Profit on disposal of tangible fixed assets		120	-
Interest payable and similar charges	6	(1,482)	(1,353)
		<hr/>	<hr/>
Loss on ordinary activities before tax		(4,367)	(5,755)
Tax on loss on ordinary activities	7	1,189	-
		<hr/>	<hr/>
Loss for the financial year	15	(3,178)	(5,755)
		<hr/> <hr/>	<hr/> <hr/>


All activities in both years are continuing.

Balance sheets
at 31 March 2003

	Note	2003		2002
		Group £000	Company £000	Group and Company £000
Fixed assets				
Tangible assets	8	37,179	34,810	40,294
Investments	9	-	-	-
		<hr/>	<hr/>	<hr/>
		37,179	34,810	40,294
Current assets				
Stocks	10	4,926	4,926	5,271
Debtors:				
Amounts falling due within one year	11	24,719	27,088	27,542
Amounts falling due after more than one year	11	100	100	934
		<hr/>	<hr/>	<hr/>
		24,819	27,188	28,476
Cash at bank and in hand		426	426	9
		<hr/>	<hr/>	<hr/>
		30,171	32,540	33,756
Creditors: amounts falling due within one year	12	(43,421)	(43,421)	(45,830)
		<hr/>	<hr/>	<hr/>
Net current liabilities		(13,250)	(10,881)	(12,074)
		<hr/>	<hr/>	<hr/>
Total assets less current liabilities		23,929	23,929	28,220
		<hr/>	<hr/>	<hr/>
Creditors: amounts falling due after more than one year	12	(4,291)	(4,291)	(4,763)
Provisions for liabilities and charges	13	(591)	(591)	(1,232)
		<hr/>	<hr/>	<hr/>
Net assets		19,047	19,047	22,225
		<hr/>	<hr/>	<hr/>
Capital and reserves				
Called up share capital	14	210	210	210
Share premium account	15	77	77	77
Revaluation reserve	15	21,758	21,758	22,392
Profit and loss account	15	(2,998)	(2,998)	(454)
		<hr/>	<hr/>	<hr/>
Shareholders' funds – equity		19,047	19,047	22,225
		<hr/>	<hr/>	<hr/>

These financial statements were approved by the board of directors on 22 December 2003 and were signed on its behalf by:


AJ Rush
Executive Deputy Chairman


RS MacDonald, BA CA
Group Finance Director

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2003

	2003 £000	2002 £000
Loss for the financial year	(3,178)	(5,755)
Surplus on revaluation of tangible fixed assets	-	607
Total recognised gains and losses relating to the financial year	(3,178)	(5,148)

Note of consolidated historical cost profits and losses
for the year ended 31 March 2003

	2003 £000	2002 £000
Reported loss on ordinary activities before taxation	(4,367)	(5,755)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	634	677
Historical cost loss on ordinary activities before taxation	(3,733)	(5,078)
Historical cost loss for the year retained after taxation and dividends	(2,544)	(5,078)

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2003

	Group 2003 £000	Company 2003 £000	Group and Company 2002 £000
Total recognised gains and losses relating to the year	(3,178)	(3,178)	(5,148)
Dividend	-	-	-
Net decrease in shareholders' funds	(3,178)	(3,178)	(5,148)
Shareholders' funds at beginning of year	22,225	22,225	27,373
Shareholders' funds at end of year	19,047	19,047	22,225

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Companies Act 1985 and under the historical cost convention, as modified to include the revaluation of certain heritable property, landfill sites and quarries, and in accordance with applicable accounting standards.

Under Financial Reporting Standard No. 1 the company is exempt from the requirement to prepare a cash flow statement, on the grounds that the parent undertaking includes the company in its own consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Barr Limited and its subsidiary undertakings. All intra group profits are eliminated on consolidation. Under Section 230(4) of the Companies Act 1985, the company is exempt from the requirement to prepare its own profit and loss account.

Turnover

Turnover represents the value of work executed on contracts and invoiced value of goods sold and waste management services provided to external customers, excluding Value Added Tax. In establishing turnover and profit, credit is taken for claims only when legal entitlement has been established and agreed in writing by the client.

Fixed assets and depreciation

The group has adopted a policy of revaluation of its construction related freehold and leasehold land and buildings and its quarries and landfill sites included as tangible fixed assets. Such assets are held at their current value as at the balance sheet date; full revaluations are performed every five years with interim valuation reviews being performed in the intervening periods.

Non construction related tangible fixed assets are included in the balance sheet at cost less depreciation and any impairment provision; this class of asset is not subject to annual valuation reviews.

Depreciation is provided on all tangible fixed assets, other than freehold land and investment property, at rates calculated to write off the cost or valuation of each asset evenly over its estimated remaining life, as follows:

Freehold and leasehold property	-	five to fifty years
Quarries	-	see below
Landfill sites	-	see below
Plant and equipment	-	five to seven years
Motor vehicles	-	four years

Freehold quarries are depreciated over their expected commercial life. Leasehold quarries are depreciated over their expected useful life or, if shorter, over the remaining lease period.

Landfill acquisition and commissioning costs are capitalised and amortised over the estimated operational life of each site based on the volume of void space consumed.

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks, including land held for development, are stated at the lower of cost and estimated net realisable value.

Notes (continued)

1 Accounting policies (continued)

Amounts recoverable on contracts

Amounts recoverable on contracts, which represent the excess of the value of work done (including attributable profit or net of applicable losses) over cumulative payments on account received and receivable, are included in debtors. Payments on account in excess of the value of work done are included in creditors. Profit is taken on contracts in progress where the outcome can be assessed with reasonable certainty. Anticipated losses are provided for in full.

Deferred taxation

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Where relevant, deferred tax balances are reduced by losses available to the company in the future where the directors consider that there is likely to be suitable profits in the future to absorb such losses.

Pension costs

The group operates a discretionary contribution scheme for certain directors. Contributions to the scheme are charged to the profit and loss account at time of payment.

Restoration

Restoration work in relation to quarries and landfill sites is carried out as minerals are extracted and void space consumed and the related costs are charged against operating profit as incurred. Provision is also made for unavoidable costs of restoration work which is expected beyond the balance sheet date.

2 Turnover

The company's turnover arises wholly in the United Kingdom from its activities in the construction industry.

3 Other operating income

	2003 £000	2002 £000
Rental income	10	20

4 Operating loss

	2003 £000	2002 £000
<i>Operating loss is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	3,698	3,726
Gain on sale of tangible fixed assets	(56)	(121)
Deficit on revaluation of landfill site	-	624
Hire of plant and machinery	1,770	4,006
Auditors' remuneration - audit (all parent company)	100	100
- other services	65	52

The deficit on revaluation of landfill site in 2002 represents the amount by which the depreciated historical cost of the relevant site exceeded the revalued amount at 31 March 2002.

Notes (continued)

5 Directors and other employees

The average number of persons employed by the company, including directors, during the year was as follows:

	Number of employees	
	2003	2002
Construction services and materials	747	823
Management and administration	48	54
	<u>795</u>	<u>877</u>

Employee costs comprise:

	2003 £000	2002 £000
Wages and salaries	19,591	22,333
Social security costs	1,847	2,033
Other pension costs	65	-
	<u>21,503</u>	<u>24,366</u>

Remuneration in respect of directors was as follows:

	2003 £000	2002 £000
Salaries and benefits	937	1,179

The emoluments of the executive chairman and chief executive, who was also the highest paid director were £255,838 (2002: £246,881). No pension contributions were paid during the year on behalf of the chairman (2002: £Nil).

6 Interest payable and similar charges

	2003 £000	2002 £000
Interest payable on finance leases	478	260
Interest payable on bank loans and overdrafts	1,004	1,093
	<u>1,482</u>	<u>1,353</u>

Notes (continued)

7 Tax on ordinary activities

The tax charge/(credit) is based on the loss for the year and is made up as follows:

	2003 £000	£000	2002 £000	£000
UK corporation tax payable at 30% (2002: 30%)				
- current year	-		-	
- adjustment in respect of prior period	51		-	
	<hr/>		<hr/>	
		51		-
Deferred taxation				
- current year	(408)		-	
- adjustment in respect of prior period	(832)		-	
	<hr/>		<hr/>	
		(1,240)		-
Total tax charge		<hr/> <hr/> (1,189)		<hr/> <hr/> -

The tax charge for the year is higher (2002: higher) than the standard rate of corporation tax in the UK at 30% based upon the loss for the year. The differences are explained below:

	2003 £000	2002 £000
Loss on ordinary activities before tax	(4,367)	(5,755)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(1,310)	(1,726)
Effects of:		
Expenses not deductible for tax purposes	6	8
Depreciation on items not qualifying for capital allowances	557	324
Adjustment in respect of prior period	51	-
Group relief surrendered for no payment	-	598
Deferred tax charge	408	-
Movement in deferred tax asset not recognised	-	671
Chargeable gains	311	-
Other items	28	125
	<hr/>	<hr/>
Total corporation tax charge	<hr/> <hr/> 51	<hr/> <hr/> -

Details of the deferred tax asset is given in note 11.

Notes (continued)

8 Tangible fixed assets

Group

	Leasehold land and buildings £000	Land and buildings £000	Freehold Landfill sites £000	Quarries £000	Leasehold quarries £000	Plant vehicles and equipment £000	Total £000
<i>Cost or valuation</i>							
At beginning of year	-	5,243	10,000	8,900	8,250	26,909	59,302
From fellow subsidiary	-	600	-	-	-	-	600
Additions	-	197	212	-	-	170	579
Transfer (see note below)	1,115	(1,115)	-	-	-	-	-
Disposals	-	(600)	-	-	-	(235)	(835)
At end of year	1,115	4,325	10,212	8,900	8,250	26,844	59,646
<i>Being</i>							
At cost	1,115	-	212	-	-	26,844	28,171
At valuation	-	4,325	10,000	8,900	8,250	-	31,475
	1,115	4,325	10,212	8,900	8,250	26,844	59,646
<i>Depreciation</i>							
At beginning of year	-	170	-	-	-	18,838	19,008
Transfer	113	(113)	-	-	-	-	-
On disposals	-	-	-	-	-	(239)	(239)
Provided in the year	142	67	418	92	537	2,442	3,698
At end of year	255	124	418	92	537	21,041	22,467
<i>Net book value</i>							
At 31 March 2003	860	4,201	9,794	8,808	7,713	5,803	37,179
At 31 March 2002	-	5,073	10,000	8,900	8,250	8,071	40,294

Notes (continued)

8 Tangible fixed assets (continued)

Company

	Leasehold land and buildings £000	Land and buildings £000	Freehold Landfill sites £000	Quarries £000	Leasehold quarries £000	Plant vehicles and equipment £000	Total £000
Cost or valuation							
At beginning of year	-	5,243	10,000	8,900	8,250	26,909	59,302
From fellow subsidiary	-	600	-	-	-	-	600
Additions	-	197	100	-	-	170	467
Transfer (see note below)	1,115	(1,115)	-	-	-	-	-
Disposals	-	(600)	-	-	-	(235)	(835)
Transfer to subsidiary	-	-	(2,500)	-	-	-	(2,500)
At end of year	1,115	4,325	7,600	8,900	8,250	26,844	57,034
Being							
At cost	1,115	-	100	-	-	26,844	28,059
At valuation	-	4,325	7,500	8,900	8,250	-	28,975
	1,115	4,325	7,600	8,900	8,250	26,844	57,034
Depreciation							
At beginning of year	-	170	-	-	-	18,838	19,008
Transfer	113	(113)	-	-	-	-	-
On disposals	-	-	-	-	-	(239)	(239)
Provided in the year	142	67	175	92	537	2,442	3,455
At end of year	255	124	175	92	537	21,041	22,224
Net book value							
At 31 March 2003	860	4,201	7,425	8,808	7,713	5,803	34,810
At 31 March 2002	-	5,073	10,000	8,900	8,250	8,071	40,294

Freehold land and buildings, landfill sites and quarries, and leasehold quarries have been subject to a policy of revaluation as follows:

Year of last full valuation	Amount	Valuation basis	Valuer	Description
31 March 2001	£4,325,000	(i)	Gerald Eve, Chartered Surveyors	Freehold land and buildings
31 March 2001	£28,150,000	(i) & (ii)	Crawfords, Chartered Surveyors	Quarries and landfill sites

- (i) The basis of valuation of open market value for existing use. All valuations (full and interim) were made in accordance with the RICS Statement of Asset Valuation practice and guidance notes. Landfill sites were reduced in value by £1 million as at 31 March 2002.
- (ii) At 31 March 2003 the directors believe there is no material difference between the net book value of those assets subject to a policy of revaluation and interim valuation figures prepared by Gerald Eve and Crawfords, respectively, as at that date.

Notes (continued)

8 Tangible fixed assets (continued)

During the year the company entered into a lease and leaseback arrangement with a third party in respect of one of its tangible fixed assets, as a result of which the asset has been transferred from the company's heritable land and buildings portfolio to leasehold land and buildings. The net amount of principal repayable under this arrangement is included under amounts due under finance leases (note 12). A standard security over the asset in question has been provided to the lessor by the company.

The historical cost of land and buildings, quarries and landfill sites included at valuation is as follows:

	2003 Group	Company	2002 Group and Company
	£000	£000	£000
Land and buildings	1,982	1,982	2,582
Quarries	2,763	2,763	2,763
Landfill sites	7,830	3,482	7,830
	12,575	8,227	13,175

The net book value of plant, vehicles and equipment included in the above figures but held under finance leases for both the company and the group is £4,328,964(2002: £6,060,274) after charging depreciation.

9 Fixed assets - investments

Subsidiary and associated undertaking of the company

	Country of registration	Class of share	Proportion Held	Nature of business
Barr Environmental Limited	Scotland	Ordinary	100%	Provision of landfill facilities
Freeport Scotland Limited	Scotland	Ordinary	21%	Development of freeport facilities

Freeport Scotland Limited has not been accounted for on the equity basis in view of the immateriality of the investment.

10 Stocks

	Group and Company 2003 £000	Group and Company 2002 £000
Raw materials and consumables	796	812
Work in progress	405	550
Finished goods	2,234	2,221
Land held for development	1,491	1,688
	4,926	5,271

Notes (continued)

11 Debtors

	Group	Company	Group and Company
	2003	2003	2002
	£000	£000	£000
Due within one year:			
Trade debtors	18,859	18,859	12,164
Amounts recoverable on contracts	1,041	1,041	671
Amounts due from group companies	1,666	4,035	13,359
Other debtors	1,638	1,638	1,114
Deferred tax asset	1,240	1,240	-
Prepayments and accrued income	275	275	234
	<u>24,719</u>	<u>27,088</u>	<u>27,542</u>
Due after more than one year:			
Trade debtors	-	-	834
Other debtors	100	100	100
	<u>100</u>	<u>100</u>	<u>934</u>
Total debtors	<u>24,819</u>	<u>27,188</u>	<u>28,476</u>

The deferred tax asset recognised, calculated at a rate of 30%, is analysed below:

	Deferred taxation £000
Movement in the year	
- prior year	(41)
- current year	408
- prior year losses now recognised	873
	<u>1,240</u>
At end of year	<u>1,240</u>

This can be further analysed below:

	2003 Provided £000	2002 Unprovided £000
Losses carried forward	1,202	801
Accelerated capital allowances	(181)	(170)
Other timing differences	219	242
	<u>1,240</u>	<u>873</u>
Balance at end of year	<u>1,240</u>	<u>873</u>

The directors have reconsidered the recoverability of prior year trading losses and other timing differences in the light of their assessment of the ability of the company to generate suitable profits in the future. As a result of this the directors believe it is now appropriate to recognise a deferred tax asset in respect of past trading losses.

Notes (continued)

12 Creditors

	Group	Company	Group and Company
	2003	2003	2002
	£000	£000	£000
Amounts falling due within one year:			
Bank overdrafts (secured)	-	-	1,661
Trade creditors	22,440	22,440	18,247
Payments received on account	62	62	490
Other taxes and social security	7,487	7,487	7,932
Amounts due under finance leases (secured)	1,076	1,076	1,045
Accruals and deferred income	3,533	3,533	1,237
Amounts due to group companies	8,823	8,823	15,218
	<u>43,421</u>	<u>43,421</u>	<u>45,830</u>
Amounts falling due after more than one year:			
Trade creditors	-	-	372
Other creditors	721	721	1,081
Amounts due under finance leases (secured)	3,303	3,303	2,510
Amounts due to group companies	267	267	800
	<u>4,291</u>	<u>4,291</u>	<u>4,763</u>

The bank overdraft is secured over certain of the group's assets and a bond and floating charge over its whole property and undertakings. Liabilities under finance leases are secured over the assets to which they relate.

Interest on bank loans and overdrafts is charged to the company at commercial lending rates.

The obligations under finance leases are repayable as follows:

	Group and Company	Group and Company
	2003	2002
	£000	£000
Within one year	1,076	1,045
Between two and five years	1,203	2,510
After more than five years	2,100	-
	<u>4,379</u>	<u>3,555</u>

Notes (continued)

13 Provisions for liabilities and charges

	Group and Company		
	Restoration provision £000	Other £000	Total £000
At 1 April 2002	382	850	1,232
Provided in the year	-	-	-
Released in the year	(16)	(625)	(641)
At 31 March 2003	366	225	591

Other provisions relate to third party claims made against the group which the directors believe may not be fully recoverable from the company's insurers.

No provision has been made for deferred taxation amounting to approximately £5.5 million (2002: £5.7 million) which might arise on disposal at book value of those tangible fixed assets included in the financial statements at valuation.

14 Called up share capital

	2003 £000	2002 £000
<i>Authorised</i>		
210,000 ordinary shares of £1 each	210	210
<i>Allotted, called up and fully paid</i>		
210,000 ordinary shares of £1 each	210	210

15 Reserves

	Group and Company		
	Share premium account £000	Revaluation Reserve £000	Profit and loss account £000
At beginning of year	77	22,392	(454)
Balance for the year	-	-	(3,178)
Transfer following depreciation of tangible fixed assets	-	(634)	634
At end of year	77	21,758	(2,998)

Notes (continued)

16 Pension costs

The group operates a discretionary money purchase contribution pension scheme for certain directors of the company. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions paid during the year by the group to the fund and amounted to £65,000 (2002: £Nil).

17 Capital commitments

At 31 March 2003 capital commitments authorised but not contracted for amounted to £Nil (2002: £Nil).

18 Contingent liabilities

The company has entered into various performance bonds in the normal course of business amounting to £6,690,000 (2002: £12,062,000). In the opinion of the directors no loss will arise in connection with any of these bonds.

19 Related party transactions

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with other group companies on the grounds that the parent company includes the company in its own consolidated financial statements.

During the year, the company paid £450 (2002: £Nil) to The ASH Consulting Group Limited and £73,247 (2002: £Nil) to Harris Rush Associates Limited for consulting services. AJ Rush is a director of these companies.

20 Ultimate parent company

The company's immediate and ultimate parent company is Barr Holdings Limited, which is incorporated in the United Kingdom and registered in Scotland.

The consolidated accounts of Barr Holdings Limited are publicly available and may be obtained from its registered office, Killoch, Ochiltree, KA18 2RL.