Barr Limited

Directors' report and financial statements

31 March 1997
Registered number SC60291

Directors' report and financial statements

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 1997. The basis of preparation of these financial statements is set out in note 1 to the financial statements.

Principal activities

The company trades principally as building and civil engineering contractors with the related facilities of quarrying, readymix concrete manufacturing, plant and crane hiring, pre-cast concrete production, joinery manufacture, structural steelwork fabrication, civil engineering and structural design, waste management, house building and property development.

Results and dividends

The company's trading results for the year ended 31 March 1997 are as shown in the profit and loss account on page 5. No interim dividend was paid during the year. The directors recommend a final dividend of £1 per ordinary share. The retained profit of £206,000 will be transferred to the company's reserves.

Land held for development

In the opinion of the directors the market value of land held for development exceeds cost, at which it is stated in the financial statements, by some £4 million.

Directors and directors' interests

The composition of the board of directors and their interests in the share capital of the parent company, Barr Holdings Limited, at 31 March 1996 and 1997 are as follows:

	Ordinary shares of £1 each
WJ Barr, OBE, CEng, FICE, FIMgt	70,000
JD Barr, JP	70,000
AD Barr	70,000
JB Chalmers	-
JE Eyley	-
DL Lawson	-
WA Milligan	-
D Stevenson	-
AC Towers	-

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

Directors' report *(continued)*

Employees

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. Regular communications are held with representatives of staff at all levels.

Management endeavour to involve as many employees as possible in appropriate training courses.

Political and charitable donations

Charitable donations made during the year amounted to £8,370. No political donations were made.

Auditors

In accordance with Section 384 of the Companies Act 1984, a resolution for the re-appointment of KPMG as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the board

John E Eyley
Secretary

Heathfield
Ayr

19 November 1997

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

24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Barr Limited

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

21 November 1997

Profit and loss account
for the year ended 31 March 1997

	Note	1997 £000	1996 £000
Turnover (excluding internal sales of £29,593,000; *1996: £21,195,000*)	2	**74,159**	56,735
Cost of sales		**(66,230)**	(48,406)
Gross profit		**7,929**	8,329
Administration expenses		**(6,358)**	(6,002)
Other operating income	*3*	**203**	228
Operating profit	*4*	**1,774**	2,555
Interest receivable		**24**	119
Interest payable	*6*	**(991)**	(1,240)
Profit on ordinary activities before tax		**807**	1,434
Tax on profit on ordinary activities	*7*	**(391)**	(18)
Profit for the financial year		**416**	1,416
Dividend	*8*	**(210)**	(210)
Retained profit for the year	*16*	**206**	1,206

All activities in both years are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

There are no recognised gains or losses in either year other than those reflected in the profit for the financial years disclosed above.

Balance sheets

at 31 March 1997

	Note	1997		1996	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**27,900**		25,538
Investments	*10*		**20**		20
			27,920		25,558
Current assets					
Stocks	*11*	**2,546**		2,645	
Land held for development		**5,120**		4,727	
Debtors:					
amounts falling due within one year	*12*	**12,799**		10,875	
amounts falling due after more than one year	*12*	**2,396**		2,465	
Cash at bank and in hand		**2,869**		101	
		25,730		20,813	
Creditors: amounts falling due within one year	*13*	**(22,421)**		(18,177)	
Net current assets					
Due within one year		**913**		171	
Debtors due after more than one year		**2,396**		2,465	
			3,309		2,636
Total assets less current liabilities			**31,229**		28,194
Creditors: amounts falling due after more than one year	*13*		**(9,284)**		(6,455)
Net assets			**21,945**		21,739
Capital and reserves					
Called up share capital	*15*		**210**		210
Share premium account	*16*		**77**		77
Revaluation reserve	*16*		**14,345**		14,395
Profit and loss account	*16*		**7,313**		7,057
Shareholders' funds					
Equity			**21,945**		21,739

These financial statements were approved by the board of directors on 19 November 1997 and were signed on its behalf by:

William Barr

William ~~J Barr~~, OBE, CEng, FICE, FIMgt
Chairman and Chief Executive

Cash flow statement

for the year ended 31 March 1997

	Note	1997	1997	1996	1996
		£000	**£000**	£000	£000
Net cash inflow from operating activities	*17*		7,107		5,129
Returns on investments and servicing of finance					
Interest received		24		119	
Interest paid	6	(991)		(1,240)	
Net cash outflow for returns on investments and servicing of finance			(967)		(1,121)
Taxation					
Corporation tax recovered			-		1,048
Capital expenditure					
Purchase of tangible fixed assets		(1,832)		(1,583)	
Sale of tangible fixed assets		804		529	
Net cash outflow for capital expenditure			(1,028)		(1,054)
Equity dividend paid			(210)		-
Net cash inflow before financing			4,902		4,002
Financing					
Capital element of finance lease rentals			(1,514)		(1,525)
Long term loan			1,201		4,000
Increase in cash in the year			4,589		6,477

Reconciliation of net cash flow to movement in net debt
for the year ended 31 March 1997

	1997 £000	1996 £000
Increase in cash	**4,589**	6,477
Cash outflow/(inflow) from movement in debt and lease financing	**313**	(2,475)
	4,902	4,002
New finance leases	**(3,245)**	(574)
Movement in net debt	**1,657**	3,428
Net debt at 1 April 1996	**(11,016)**	(14,444)
Net debt at 31 March 1997	**(9,359)**	**(11,016)**

Reconciliation of movements in shareholders' funds
for the year ended 31 March 1997

	1997 £000	1996 £000
Profit for the financial year	**416**	1,416
Dividend	**(210)**	(210)
Net increase in shareholders' funds	**206**	1,206
Shareholders' funds at 1 April 1996	**21,739**	20,533
Shareholders' funds at 31 March 1997	**21,945**	21,739

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 heritable property, investment property and quarries.

Accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

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 agreed in writing by the client; having taken such claims to income adequate provision is made whenever ultimate payment becomes doubtful.

Fixed assets and depreciation

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

Plant and equipment	-	five to seven years
Motor vehicles	-	four years

Reviews are made periodically of the estimated remaining lives of productive assets taking account of commercial and technological obsolescence as well as normal wear and tear.

No depreciation is provided on the company's heritable property as it is maintained at all times in sound condition and to a high standard. Accordingly, the directors are of the opinion that the length of life and the residual values (based on prices obtaining at date of acquisition or subsequent valuation) of these properties are such that no provision for depreciation is required. Any permanent diminution in the value of such properties is charged to the profit and loss account.

Notes *(continued)*

1 **Accounting policies** (continued)

Fixed assets and depreciation (continued)

Investment properties are defined as properties held for their investment potential. Such properties are held in the balance sheet at their open market value on the basis of a professional valuation. In accordance with Statement of Standard Accounting Practice No. 19:

i. investment properties are revalued periodically and the aggregate surplus or deficit is transferred to a revaluation reserve;

ii. no depreciation or amortisation is provided in respect of freehold investment property and leasehold investment property with over 20 years to run.

Quarries are depreciated over their expected commercial life, only where this is less than 10 years and where estimated residual site value is lower than cost or valuation. Surpluses or deficits arising from time to time from professional valuations are taken direct to revaluation reserve and in the case of a deficit up to the amount of the previous valuation surplus. Valuation surpluses or deficits realised on sale are transferred from revaluation reserve to profit and loss account.

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 held under finance leases are included in tangible fixed assets as though they had been purchased outright. Capital payments outstanding are treated as a liability and the interest element is charged against profit over the period of the lease in proportion to the balances outstanding.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value.

Amounts recoverable on contracts

Amounts recoverable on contracts, which represents the excess of work done including attributable profit over cumulative payments on account received, are included in debtors. Payments on account in excess of work done are included in creditors.

Land held for development

Land held for development is stated at the lower of cost and estimated net realisable value.

Deferred taxation

Provision is made for taxation deferred in respect of accelerated capital allowances and other timing differences, but only to the extent that there is reasonable probability that an actual liability will become payable in the foreseeable future.

Pension costs

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

Notes *(continued)*

2 Turnover

The company's turnover arises wholly in the United Kingdom from its activities in the construction industry, and is stated net of Value Added Tax.

3 Other operating income

	1997 £000	1996 £000
Rental income	**203**	228

4 Operating profit

	1997 £000	1996 £000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**2,345**	1,898
Gain on sale of tangible fixed assets	**(434)**	(256)
	1,911	1,642
Hire of plant and machinery	**2,039**	881
Auditors' remuneration - audit	**40**	40
- other services	**28**	34

Notes *(continued)*

5 Directors and other employees

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

	Number of employees	
	1997	1996
Construction services and materials	**804**	727
Management and administration	**65**	65
	869	792

Employee costs comprise:

	1997	1996
	£000	£000
Wages and salaries	**14,640**	14,814
Social security costs	**1,437**	1,442
Other pension costs - directors	**-**	30
	16,077	16,286

Remuneration in respect of directors was as follows:

	1997	1996
	£000	£000
Fees	**36**	8
Salaries and benefits	**640**	523
Pension contributions	**-**	30
	676	561

The emoluments of the chairman and chief executive, who was also the highest paid director, excluding pension contributions were £221,643 *(1996: £182,000).*

Notes *(continued)*

6 Interest payable

	1997	1996
	£000	£000
Finance lease interest	**338**	245
Bank interest	**653**	995
	991	1,240

7 Tax on ordinary activities

The tax charge is based on the profit for the year and is made up as follows:

	1997	1996
	£000	£000
UK corporation tax at 33% *(1996 : 25 %)*	**391**	18

The high tax charge arises from the crystallisation of deferred tax which had not previously been provided. This arose from the adoption of leasing as the predominant method of financing asset purchases and the legislative change in tax treatment of leasing costs.

8 Dividend

Dividend on ordinary shares:

	1997	1996
	£000	£000
Proposed £1 per share *(1996: £1)*	**210**	210

Notes *(continued)*

9 Tangible fixed assets

	Heritable property	Investment property	Quarries & landfill sites	Plant, vehicles & equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	3,630	1,160	15,022	20,093	39,905
Additions	-	275	878	3,974	5,127
Disposals	-	-	(50)	(3,227)	(3,277)
At end of year	3,630	1,435	15,850	20,840	41,755
Depreciation					
At beginning of year	-	-	-	14,367	14,367
On disposals	-	-	-	(2,857)	(2,857)
Provided in the year	-	-	215	2,130	2,345
At end of year	-	-	215	13,640	13,855
Net book value					
At 31 March 1997	**3,630**	**1,435**	**15,635**	**7,200**	**27,900**
At 31 March 1996	3,630	1,160	15,022	5,726	25,538

The company's heritable and investment property was revalued as at 31 March 1994 by Bell-Ingram, Chartered Surveyors, on an open market value for existing use basis with the exception of one property which was revalued on a depreciated replacement cost basis. These valuations have been reviewed by the directors, who consider them still to be appropriate. Quarries were revalued by Gerald Eve, Chartered Surveyors on an open market value for existing use basis at 31 March 1994. The valuations were made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. Since 31 March 1994 additions to heritable property, investment property, quarries and landfill sites are included at cost.

The historic cost of heritable property, investment property, quarries and landfill sites at 31 March 1997 included at valuation is as follows:

	£000
Heritable property	2,742
Investment property	1,350
Quarries	2,968
	7,060

The net book value of plant, vehicles and equipment held under finance leases is £5,777,142 *(1996: £3,528,000)* after charging depreciation for the year of £788,712 *(1996: £724,000)*.

Notes *(continued)*

10 Fixed assets - investments

	Other investments and associated undertaking £000
Cost of shares at 1 April 1996 and 31 March 1997	60
Provision at beginning and end of year	(40)
At 31 March 1997	**20**
At 31 March 1996	20

Associated undertaking of the company

	Country of registration	**Class of share**	**Proportion held**	**Nature of business**
Freeport Scotland Limited	Scotland	Ordinary	21%	Development of freeport facilities

No consolidation of Freeport Scotland Limited was considered necessary in view of the immateriality of the investment.

11 Stocks

	1997 **£000**	1996 £000
Raw materials and consumables	**1,473**	1,261
Finished goods	**1,073**	1,384
	2,546	2,645

Notes *(continued)*

12 Debtors

	1997	1996
Due within one year:	**£000**	£000
Trade debtors	**9,350**	6,982
Amounts recoverable on contracts	**2,799**	3,372
Corporation tax recoverable	**-**	73
Other debtors	**426**	172
Prepayments and accrued income	**224**	276
	12,799	10,875
Due after more than one year:		
Trade debtors	**1,878**	1,549
Other debtors	**518**	916
	15,195	13,340

13 Creditors

	1997	1996
Amounts falling due within one year:	**£000**	£000
Bank loans and overdraft	**268**	4,516
Trade creditors	**10,123**	7,816
Payments received on account	**1,574**	1,250
Other taxes and social security	**606**	556
Amounts due under finance leases	**1,473**	981
Other creditors	**1,210**	765
Corporation tax	**315**	-
Accruals	**4,215**	2,083
Amounts due to group companies	**2,637**	210
	22,421	18,177
Amounts falling due after more than one year:		
Trade creditors	**1,224**	835
Amounts due under finance leases payable within two to five years	**2,859**	1,620
Bank loans due within two to five years	**5,201**	4,000
	9,284	6,455

In respect of the bank loans and overdraft National Westminster Bank plc holds standard securities over certain of the company's assets and a bond and floating charge over its whole property and undertaking.

Notes *(continued)*

14 Deferred taxation

As it is the company's intention to retain heritable properties and quarries for trading purposes no provision has been made for deferred taxation which might arise on disposal at book value amounting to £4.4 million *(1996: £4 million)*.

The full potential deferred taxation liability for excess capital allowances over depreciation and other timing differences not provided in the financial statements amounts to £0.1 million *(1996: £0.5 million)*.

15 Called up share capital

	1997	1996
	£000	£000
Authorised		
210,000 ordinary shares of £1 each	**210**	210
Allotted, called up and fully paid		
210,000 ordinary shares of £1 each	**210**	210

16 Reserves

	Share premium account	**Revaluation reserve**	**Profit and loss account**
	£000	£000	£000
At beginning of year	77	14,395	7,057
Transfer on disposal of quarry	-	(50)	50
Retained profit for the year	-	-	206
At end of year	77	14,345	7,313

Notes (continued)

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

	1997 £000	1996 £000
Operating profit	**1,774**	2,555
Depreciation	**2,345**	1,898
Gain on sale of tangible fixed assets	**(434)**	(256)
Increase in land held for development	**(393)**	(595)
Decrease in stocks	**99**	18
(Increase)/decrease in debtors	**(1,928)**	1,771
Increase/(decrease) in creditors	**5,644**	(262)
Net cash inflow from operating activities	**7,107**	5,129

18 Analysis of net debt

	At 1 April 1996 £000	Cash flow £000	Other non-cash charges £000	At 31 March 1997 £000
Cash in hand, in bank	101	9	-	110
Bank loans and overdraft	(4,516)	4,580	-	64
	(4,415)	4,589	-	174
Bank loans due after one year	(4,000)	(1,201)	-	(5,201)
Finance leases	(2,601)	1,514	(3,245)	(4,332)
	(11,016)	4,902	(3,245)	(9,359)

19 Major non-cash transaction

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £3,245,000.

20 Pension costs

The company operates a discretionary contribution pension scheme for certain of the directors of the holding company. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid during the year by the company to the fund and amounted to £Nil *(1996: £30,000).*

Notes *(continued)*

21 Capital commitments

At 31 March 1997 capital commitments authorised but not contracted for amounted to £2,734,000 *(1996: £1,340,000)*.

22 Contingent liabilities

The company has entered into various performance bonds in the normal course of business. In the opinion of the directors no loss will arise in connection with any of these matters.

23 Related party transactions

Barr Leisure Limited

During the financial year, the group completed a construction contract in the normal course of business with Barr Leisure Limited, a company then wholly owned by the shareholders of Barr Holdings Limited. The total value of the contract was £2 million, of which £1.1 million *(1996: £0.1 million)* is included as turnover in the current year. Amounts recoverable on contracts at 31 March 1997 of £0.5 million relating to this contract *(1996: £0.1 million)* have been received since the year end.

As part of the group's marketing activities, expenditure of £432,000 *(1996: £Nil)* was incurred during the year on services provided by, and support for, Barr Leisure Limited.

On 15 August 1997, Barr Holdings Limited acquired 80% of the issued share capital of Barr Leisure Limited for a consideration of £120,000.

Ice Hockey Services Limited

During the financial year, the group paid £280,000 for marketing and advertising services *(1996: £Nil)* to Ice Hockey Services Limited, a company controlled by the shareholders of Barr Holdings Limited.

Ayr United Football & Athletic Club Limited

During the year to 31 March 1997, as part of the group's marketing activities, expenditure of £422,000 *(1996: £263,000)* was incurred on services provided by, and support for, Ayr United Football Athletic Club Limited.

On 15 June 1997, Barr Holdings Limited acquired 76% of the issued share capital of Ayr United Football & Athletic Club from Mr WJ Barr for a consideration of £176,000.

24 Ultimate parent company

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

Copies of the financial statements of Barr Holdings Limited can be obtained from:

The Company Secretary
Heathfield
Ayr
KA8 9SL.