REGISTRAR'S COPY

John Lindsay and Son (Decorators) Limited

Report and Accounts

31 December 1995

Company Registration Number SC 028523

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COMPANIES HOUSE 15/03/96

ERNST & YOUNG

Notice is hereby given that the Annual General Meeting of the members of the company will be held at 133 Lancefield Street, Glasgow, G3 8HZ on Thursday, 15 February 1996 at 3.00 pm to transact the following business:

1 To receive the report of the directors and statement of accounts for the year ended 31 December 1995 and the report of the auditors.

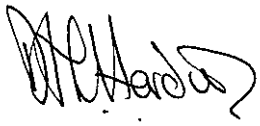
2 To declare a dividend.

3 To re-elect directors.

4 To appoint auditors and to authorise the directors to determine their remuneration.

5 To transact any other competent business.

By order of the board



D J L Hardie

Secretary

15 February 1996

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A member of the company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and on a poll to vote instead of him. A proxy need not be a member of the company.

DIRECTORS
D G Lindsay
J S Sinclair
B J Cloughley
D J L Hardie
Mrs P E Lindsay
A Thomson

SECRETARY
D J L Hardie

AUDITORS
Ernst & Young
George House
50 George Square
Glasgow
G2 1RR

BANKERS
Clydesdale Bank
120 Bath Street
Glasgow
G2 2EN

SOLICITORS
Jeffrey Aitken Solicitors
Inter-City House
80 Oswald Street
Glasgow
G1 4PU

REGISTERED OFFICE
133 Lancefield Street
Glasgow
G3 8HZ

COMPANY REGISTRATION NUMBER
SC 028523

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £449,038.

Interim dividends, amounting to £44,100, were paid during the year. The directors propose that no final dividend be paid, which leaves profits of £404,938 to be retained and carried forward.

PRINCIPAL ACTIVITIES

The principal activity of the company is contracting services.

REVIEW OF THE BUSINESS

Again turnover has increased, and the directors are particularly pleased that the margin improvement from last year has been maintained in the core business. The directors are confident that the profit margin will be maintained or even improved.

FIXED ASSETS

During the year the company spent £627,434 on tangible fixed assets. Full details of the company's fixed assets are shown in note 9 of the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the ordinary £1 shares of the company at that date and at the beginning of the year were as follows:

	At 31 December 1995	*At 1 January 1995*
D G Lindsay	4,500	4,500
J S Sinclair	500	500
B J Cloughley	-	-
D J L Hardie	-	-
Mrs P E Lindsay	1,000	1,000
A Thomson	-	-

D G Lindsay and Mrs P E Lindsay fall to retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SHARE OPTIONS

Throughout the year the following options were available:

	No of shares	*Exercise price*
B J Cloughley	500	Par
D J L Hardie	500	Par
A Thomson	500	Par

No options were exercised during the year or since the balance sheet date.

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DIRECTORS' REPORT (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions totalling £5,088. The company made no political contributions.

HEALTH AND SAFETY

The directors are pleased that the company has achieved the 5 Star Award of the British Safety Council. The loss control decisions involved have resulted in savings of both human and financial resources.

AUDITORS

Bannerman Johnstone Maclay resigned as auditors during the year. The directors appointed Ernst & Young to fill the vacancy. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

D J L Hardie

Secretary

15 February 1996

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

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REPORT OF THE AUDITORS
to the members of John Lindsay and Son (Decorators) Limited

We have audited the accounts on pages 7 to 19, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young

Chartered Accountants
Registered Auditor
Glasgow

15 February 1996

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	Note	1995 £	1994 £
TURNOVER	2	10,118,367	8,100,509
Cost of sales		(7,485,347)	(5,825,067)
GROSS PROFIT		2,633,020	2,275,442
Distribution costs		(497,067)	(481,666)
Administrative expenses		(1,454,199)	(1,249,268)
OPERATING PROFIT	3(a)	681,754	544,508
Interest payable	6	(27,093)	(30,043)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		654,661	514,465
Tax on profit on ordinary activities	7	(205,623)	(169,962)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	449,038	344,503
Dividends	8/16	(44,100)	(37,800)
RETAINED PROFIT FOR THE YEAR		404,938	306,703

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RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £449,038 in the year ended 31 December 1995 and of £344,503 in the year ended 31 December 1994.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1995 £	1994 £
Reported profit on ordinary activities before taxation	654,661	514,465
Additional depreciation on revalued assets	4,267	4,267
Historical cost profit on ordinary activities before taxation	658,928	518,732
Historical cost profit retained after taxation and dividends	409,205	310,970

BALANCE SHEET
at 31 December 1995

	Note	1995 £	1994 £
FIXED ASSETS			
Tangible assets	9	1,633,461	1,470,991
CURRENT ASSETS			
Stocks	10	97,563	95,690
Debtors	11	1,909,314	1,001,626
Cash at bank and in hand	12	117	77
		2,006,994	1,097,393
CREDITORS - amounts falling due within one year	13	(1,739,819)	(1,071,131)
NET CURRENT ASSETS		267,175	26,262
TOTAL ASSETS LESS CURRENT LIABILITIES		1,900,636	1,497,253
CREDITORS - amounts falling due after more than one year			
Hire purchase instalments		-	(3,480)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	(37,400)	(35,475)
		1,863,236	1,458,298
CAPITAL AND RESERVES			
Called up share capital	15/16	6,300	6,300
Revaluation reserve	16	208,380	212,647
Capital redemption reserve	16	1,700	1,700
Profit and loss account	16	1,646,856	1,237,651
		1,863,236	1,458,298

D G Lindsay
J S Sinclair
) Directors

15 February 1996

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STATEMENT OF CASH FLOWS
for the year ended 31 December 1995

	Note	1995 £	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	737,937	704,209
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(27,093)	(26,304)
Dividends paid		(63,000)	(18,900)
Interest element on hire purchase contracts		-	(3,739)
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(90,093)	(48,943)
TAXATION			
Corporation tax paid		(171,186)	(148,728)
Corporation tax received		-	32,263
NET TAX (PAID)		(171,186)	(116,465)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(627,434)	(533,518)
Receipts from sales of tangible fixed assets		85,624	53,899
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(541,810)	(479,619)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(65,152)	59,182
FINANCING			
Repayment of capital on hire purchase contracts		6,466	60,303
(DECREASE) IN CASH AND CASH EQUIVALENTS	12	(71,618)	(1,121)
		(65,152)	59,182

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NOTES ON THE ACCOUNTS
at 31 December 1995

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Depreciation

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost of the tangible assets over their estimated useful lives:

Heritable property	- straight line over fifty years
Plant and machinery	- 20% reducing balance
Motor vehicles	- 25% reducing balance

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is included on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

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1 ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those which 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 interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates two defined contribution pension schemes for directors and employees.

Contributions are charged to profit and loss account as they become payable in accordance with the rules of the scheme.

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to the continuing activity of contracting services. All turnover is generated from customers in the United Kingdom.

3 OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1995	*1994*
	£	*£*
Depreciation of owned fixed assets	377,632	325,030
Loss/(gain) on disposal of tangible fixed assets	1,707	(11,659)
Auditors' remuneration	8,500	7,500
Hire of plant and equipment	715,707	575,949
Rental of land and buildings	80,000	80,000

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NOTES ON THE ACCOUNTS
at 31 December 1995

3 OPERATING PROFIT (continued)

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1995 £	*1994* £
Operating profit	681,754	544,508
Depreciation	377,632	325,030
Loss/(gain) on disposal of fixed assets	1,707	(11,659)
(Increase)/decrease in stocks	(1,873)	12,810
(Increase)/decrease in debtors	(907,688)	93,813
Increase/(decrease) in creditors due within one year	586,405	(260,293)
Net cash inflow from continuing operating activities	737,937	704,209

4 DIRECTORS' EMOLUMENTS

	1995 £	*1994* £
Fees	-	-
Other emoluments (including pension contributions)	577,658	484,723
	577,658	484,723

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1995 No	*1994* No
£40,001 - £45,000	1	1
£50,001 - £55,000	-	2
£55,001 - £60,000	-	1
£60,001 - £65,000	2	1
£65,001 - £70,000	2	-
£90,001 - £95,000	-	1
£95,001 - £100,000	1	-

The emoluments, including benefits and excluding pension contributions, of the chairman, who was also the highest paid director, were £95,078 (1994 - £90,842).

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NOTES ON THE ACCOUNTS
at 31 December 1995

5 STAFF COSTS

	1995 £	*1994* £
Wages and salaries	3,973,673	3,159,000
Social security costs	370,083	292,504
Other pension costs	206,636	171,825
	4,550,392	3,623,329

The average weekly number of employees during the year was as follows:

	1995 No	*1994* No
Production staff	205	180
Management and administration staff	26	22
	231	202

6 INTEREST PAYABLE

	1995 £	*1994* £
Bank overdraft interest	27,093	26,304
Hire purchase interest	-	3,739
	27,093	30,043

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	*1994* £
Current taxation:		
UK Corporation tax	208,639	167,000
Transfer to deferred taxation	(2,800)	3,400
	205,839	170,400
Adjustments in respect of prior years: UK Corporation tax	(216)	(438)
	205,623	169,962

Current UK corporation tax is provided at an average rate of 31% (1994 - 30%).

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NOTES ON THE ACCOUNTS
at 31 December 1995

8 DIVIDENDS

	1995 £	*1994* £
Ordinary interim dividend paid at £3 per share	18,900	18,900
Second interim dividend paid at £4 per share	25,200	-
Final dividend proposed	-	18,900
	44,100	37,800

9 TANGIBLE FIXED ASSETS

	Land and buildings £	*Plant and machinery, fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost or valuation:				
At 1 January 1995	365,500	1,548,836	849,364	2,763,700
Additions	-	283,614	343,820	627,434
Disposals	-	(27,400)	(179,073)	(206,473)
At 31 December 1995	365,500	1,805,050	1,014,111	3,184,661
Items included at:				
Cost	15,500	1,805,050	1,014,111	2,834,661
Valuation	350,000	-	-	350,000
	365,500	1,805,050	1,014,111	3,184,661
Depreciation:				
At 1 January 1995	35,620	818,818	438,271	1,292,709
Charge for year	7,310	199,920	170,402	377,632
On disposals	-	(13,371)	(105,770)	(119,141)
At 31 December 1995	42,930	1,005,367	502,903	1,551,200
Net book value:				
At 31 December 1995	322,570	799,683	511,208	1,633,461
At 1 January 1995	329,880	730,018	411,093	1,470,991

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NOTES ON THE ACCOUNTS
at 31 December 1995

9 TANGIBLE FIXED ASSETS (continued)

On 9 November 1989 the company's heritable property was revalued by Knight Frank & Rutley, Chartered Surveyors. Their opinion was that the open market value of the property would be fairly stated at £350,000 and this value has been incorporated in the accounts.

The historical cost of the heritable property included at valuation at the balance sheet date is £152,134 (1994 - £152,134) and the accumulated depreciation based on historical cost would be £39,068 (1994 - £36,025).

10 STOCKS

	1995 £	*1994* £
Raw materials and consumables	97,563	95,690

11 DEBTORS

	1995 £	*1994* £
Trade debtors	1,636,110	905,722
Other debtors	18,704	36
Prepayments and accrued income	-	7,832
Amounts recoverable on contracts	254,500	88,036
	1,909,314	1,001,626

12 CASH AND CASH EQUIVALENTS

	1995 £	*1994* £	*Change in year* £
Bank overdraft	(346,723)	(275,065)	(71,658)
Cash at bank and in hand	117	77	40
	(346,606)	(274,988)	(71,618)

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12 CASH AND CASH EQUIVALENTS (continued)

	1994 £	*1993* £	*Change in year* £
Bank overdraft	(275,065)	(274,362)	(703)
Cash at bank and in hand	77	495	(418)
	(274,988)	(273,867)	(1,121)

The bank overdraft is secured by a floating charge over the assets of the company.

13 CREDITORS - amounts falling due within one year

	Note	*1995* £	*1994* £
Bank overdraft	12	346,723	275,065
Trade creditors		882,951	352,542
Corporation tax		199,189	166,678
Other taxes and social security costs		158,701	76,954
Net obligations under finance lease and hire purchase contracts		-	2,986
Other creditors		4,584	2,087
Accruals and deferred income		147,671	175,919
Proposed dividend		-	18,900
		1,739,819	1,071,131

14 DEFERRED TAXATION

Deferred tax provided at 33% (1994 - 33%) is as follows:

	1995 £	*1994* £
Capital allowances in advance of depreciation	40,700	40,200
Other timing differences	(3,300)	-
	37,400	40,200
ACT recoverable	-	(4,725)
	37,400	35,475

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14 DEFERRED TAXATION (continued)

The revaluation of properties does not constitute a timing difference and the potential amount of deferred tax on this has therefore not been quantified.

Movements on the provision for deferred taxation are:

	£
At 1 January 1995	40,200
Transferred from profit and loss account	(2,800)
At 31 December 1995	37,400

15 SHARE CAPITAL

	1995 £	*1994* £
Authorised:		
15,000 ordinary shares of £1 each	15,000	15,000
Allotted, called up and fully paid:		
6,300 ordinary shares of £1 each	6,300	6,300

Certain directors have an option to purchase 1,500 ordinary shares of £1 each at par. This option can be exercised until 18 September 2001.

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NOTES ON THE ACCOUNTS
at 31 December 1995

16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	*Capital redemption reserve* £	*Revaluation reserve* £	*Profit and loss account* £	*Total* £
At 1 January 1994	6,300	1,700	216,914	926,681	1,151,595
Profit for the year	-	-	-	344,503	344,503
Dividends	-	-	-	(37,800)	(37,800)
Other recognised gains and losses: revaluation surplus	-	-	(4,267)	4,267	-
At 1 January 1995	6,300	1,700	212,647	1,237,651	1,458,298
Profit for the year	-	-	-	449,038	449,038
Dividends	-	-	-	(44,100)	(44,100)
Other recognised gains and losses: revaluation surplus	-	-	(4,267)	4,267	-
At 31 December 1995	6,300	1,700	208,380	1,646,856	1,863,236

17 PENSION COMMITMENTS

The company operates two defined contribution schemes for its directors and employees. The assets of both schemes are held separately from those of the company in independently administered funds. There were no contributions outstanding at the year end (1994 - £nil).

18 OTHER FINANCIAL COMMITMENTS

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		*Other*	
	1995 £	*1994* £	*1995* £	*1994* £
Operating leases which expire:				
within one year	-	-	934	-
within two to five years	-	-	5,193	2,628
in over five years	80,000	80,000	-	-
	80,000	80,000	6,127	2,628

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19 CAPITAL COMMITMENTS

At 31 December 1995, the company had commitments for future capital expenditure of £125,000 contracted (1994 - £nil):

	1995	*1994*
	£	*£*
Contracted	125,000	-
Authorised by the directors but not contracted	-	-

20 CONTINGENT LIABILITIES

There are contingent liabilities arising in the ordinary course of business relating to performance bonds outstanding but, in the opinion of the directors, no provision is required.

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