

REGISTRAR'S COPY

The Lindsay Group Limited

(formerly John Lindsay and Son
(Decorators) Limited

Report and Accounts

31 December 1997

Company Registration Number SC 028523



ERNST & YOUNG

The Lindsay Group Limited

DIRECTORS

D G Lindsay (Chairman and Managing Director)
B J Cloughley
D J L Hardie
Mrs P E Lindsay
A J Thomson

SECRETARY

D J L Hardie

AUDITORS

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

BANKERS

Bank of Scotland
Park House
Park Circus
Glasgow
G3 6AN

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

The Lindsay Group Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £694,596.

Interim dividends, amounting to £37,800, were paid during the year. The directors propose a final dividend of £37,800. This makes total dividends of £75,600 which leaves profits of £618,996 to be retained and carried forward.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be 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 margin improvement was attained as the company has done less sub-contracting in the year. The directors are confident that the profit margin will again be maintained or even improved.

DIRECTORS AND THEIR INTERESTS

Mr J S Sinclair resigned as a director on 4 April 1997. All of the other directors listed on page 2 held office throughout the year under review.

According to the register maintained as required by the Companies Act 1985 the interests of the directors in the ordinary £1 shares of the company were as follows:

	<i>At 31 December 1997</i>		<i>At 1 January 1997</i>	
	Beneficial	As Trustee	Beneficial	As Trustee
D G Lindsay	4,750	561	4,500	-
B J Cloughley	-	-	-	-
D J L Hardie	-	-	-	-
Mrs P E Lindsay	689	311	1,000	-
A J Thomson	-	-	-	-

In accordance with Article 23, all of the directors other than the chairman and managing director, Mr D G Lindsay, fall to retire at the annual general meeting and, being eligible, each offers himself or herself for re-appointment. A resolution proposing the re-appointment of the directors will be put to the members at the annual general meeting.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made a political contribution of £2,500 to the Scottish Conservative and Unionist Party and various charitable contributions totalling £5,220.

DIRECTORS' REPORT (continued)

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

HEALTH AND SAFETY

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

AUDITORS

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

5 March 1998

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.

REPORT OF THE AUDITORS

to the members of The Lindsay Group Limited

We have audited the accounts on pages 6 to 18, 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 9 and 10.

Respective responsibilities of directors and auditors

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

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

Chartered Accountants
Registered Auditor
Glasgow

5 March 1998

The Lindsay Group Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	11,581,218	10,345,603
Cost of sales		(8,084,984)	(7,364,151)
GROSS PROFIT		3,496,234	2,981,452
Distribution costs		(598,072)	(569,402)
Administrative expenses		(1,868,294)	(1,625,467)
OPERATING PROFIT	3	1,029,868	786,583
Interest payable	6	(13,056)	(35,327)
Interest receivable		4,000	70
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,020,812	751,326
Tax on profit on ordinary activities	7	(326,216)	(255,960)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	694,596	495,366
Dividends	8/16	(75,600)	(18,900)
RETAINED PROFIT FOR THE YEAR		618,996	476,466

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £694,596 in the year ended 31 December 1997 and of £495,366 in the year ended 31 December 1996.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<i>1997</i> £	<i>1996</i> £
Reported profit on ordinary activities before taxation	1,020,812	751,326
Additional depreciation on revalued assets	4,267	4,267
Historical cost profit on ordinary activities before taxation	1,025,079	755,593
Historical cost profit retained after taxation and dividends	623,263	480,733

The Lindsay Group Limited

BALANCE SHEET

at 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	2,175,164	2,020,734
Investment	10	1	-
		<u>2,175,165</u>	<u>2,020,734</u>
CURRENT ASSETS			
Stocks	11	132,498	130,400
Debtors	12	1,902,855	1,965,736
Cash at bank and in hand	17	106,260	602
		<u>2,141,613</u>	<u>2,096,738</u>
CREDITORS - amounts falling due within one year	13	<u>(1,322,880)</u>	<u>(1,739,770)</u>
NET CURRENT ASSETS		<u>818,733</u>	<u>356,968</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,993,898</u>	<u>2,377,702</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>(35,200)</u>	<u>(38,000)</u>
		<u>2,958,698</u>	<u>2,339,702</u>
CAPITAL AND RESERVES			
Called up share capital	15/16	6,300	6,300
Capital redemption reserve	16	1,700	1,700
Revaluation reserve	16	199,846	204,113
Profit and loss account	16	2,750,852	2,127,589
		<u>2,958,698</u>	<u>2,339,702</u>

D G Lindsay

D J L Hardie

Directors

5 March 1998

The Lindsay Group Limited

STATEMENT OF CASH FLOWS

for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> £	<i>1996</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	1,464,770	993,788
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(15,125)	(35,327)
Interest received		4,000	70
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(11,125)	(35,257)
TAXATION			
Corporation tax paid		(245,602)	(218,518)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(777,841)	(936,202)
Receipts from sales of tangible fixed assets		113,926	74,727
Payments to acquire investments		(1)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(663,916)	(861,475)
EQUITY DIVIDENDS PAID		(37,800)	(18,900)
INCREASE/(DECREASE) IN CASH		506,327	(140,362)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)	17		
Change in net debt arising from cash flows		506,327	(140,362)
Net (debt) at 1 January		(486,968)	(346,606)
Net funds/(debt) at 31 December		19,359	(486,968)

NOTES ON THE ACCOUNTS

at 31 December 1997

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.

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

1 ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

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. An analysis of turnover by geographical market is given below:

	1997 £	1996 £
United Kingdom	11,116,387	10,345,603
Rest of the world	464,831	-
	<hr/>	<hr/>
	11,581,218	10,345,603
	<hr/>	<hr/>

The Lindsay Group Limited

NOTES ON THE ACCOUNTS at 31 December 1997

3 OPERATING PROFIT

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

	1997 £	1996 £
Depreciation of owned fixed assets	512,823	479,725
(Gain) on disposal of tangible fixed assets	(3,338)	(5,523)
Auditors' remuneration	8,500	8,500
Hire of plant and equipment	786,134	450,298
Rental of land and buildings	83,500	80,000

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

	1997 £	1996 £
Operating profit	1,029,868	786,583
Depreciation	512,823	479,725
(Gain) on disposal of fixed assets	(3,338)	(5,523)
(Increase) in stocks	(2,098)	(32,837)
Decrease/(increase) in debtors	72,331	(56,422)
(Decrease) in creditors	(144,816)	(177,738)
Net cash inflow from continuing operating activities	1,464,770	993,788

4 DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Emoluments	558,704	512,578
Payments to money purchase pension schemes	240,000	180,000
Compensation for loss of office	27,000	-
	825,704	692,578

The amounts in respect of the highest paid director are as follows:

	1997 £	1996 £
Emoluments	182,948	145,755
Payments to money purchase pension schemes	99,000	45,000

5 directors were members of money purchase pension schemes (1996 - 6).

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

5 STAFF COSTS

	1997 £	1996 £
Wages and salaries	5,438,779	4,805,130
Social security costs	485,189	441,299
Other pension costs	271,538	210,409
	<u>6,195,506</u>	<u>5,456,838</u>

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

	1997 No	1996 No
Production staff	252	245
Management and administration staff	25	27
	<u>277</u>	<u>272</u>

6 INTEREST PAYABLE

	1997 £	1996 £
Bank overdraft interest	13,056	35,327
	<u>13,056</u>	<u>35,327</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Current taxation:		
UK Corporation tax	328,895	240,756
Transfer (from)/to deferred taxation	(2,800)	600
	<u>326,095</u>	<u>241,356</u>
Adjustments in respect of prior years:		
UK Corporation tax	121	14,604
	<u>326,216</u>	<u>255,960</u>

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

8 DIVIDENDS

	1997 £	1996 £
Ordinary interim dividend paid of £6 per share (1996 - £3)	37,800	18,900
Final dividend proposed of £6 per share (1996 - £nil)	37,800	-
	<u>75,600</u>	<u>18,900</u>

9 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation:				
At 1 January 1997	386,400	2,350,341	1,212,941	3,949,682
Additions	-	514,362	263,479	777,841
Disposals	-	(13,830)	(258,042)	(271,872)
	<u>386,400</u>	<u>2,850,873</u>	<u>1,218,378</u>	<u>4,455,651</u>
At 31 December 1997	386,400	2,850,873	1,218,378	4,455,651
Items included at:				
Cost	36,400	2,830,873	1,218,378	4,085,651
Valuation	350,000	-	-	350,000
	<u>386,400</u>	<u>2,830,873</u>	<u>1,218,378</u>	<u>4,435,651</u>
Depreciation:				
At 1 January 1997	50,658	1,274,361	603,929	1,928,948
Charge for year	7,728	311,854	193,241	512,823
On disposals	-	(2,766)	(158,518)	(161,284)
	<u>58,386</u>	<u>1,583,449</u>	<u>638,652</u>	<u>2,280,487</u>
At 31 December 1997	58,386	1,583,449	638,652	2,280,487
Net book value:				
At 31 December 1997	328,014	1,267,424	579,726	2,175,164
	<u>328,014</u>	<u>1,267,424</u>	<u>579,726</u>	<u>2,175,164</u>
At 1 January 1997	335,742	1,075,980	609,012	2,020,734
	<u>335,742</u>	<u>1,075,980</u>	<u>609,012</u>	<u>2,020,734</u>

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 £173,034 (1996 - £173,034) and the accumulated depreciation based on historical cost would be £44,866 (1996 - £41,405).

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

10 INVESTMENTS

	£
Cost:	
At 1 January 1997	-
Additions	1
	<u>1</u>
At 31 December 1997	<u>1</u>

On 25 September 1997, the company acquired a 50% holding in the issued share capital of Sub Surface Technology, a company registered in Scotland. This company has not traded since its incorporation on 3 July 1997.

11 STOCKS

	1997 £	1996 £
Raw materials and consumables	132,498	130,400
	<u>132,498</u>	<u>130,400</u>

12 DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	1,587,526	1,755,027
Amounts recoverable on contracts	183,400	157,000
Other debtors	122,479	53,709
	<u>1,893,405</u>	<u>1,965,736</u>
Amounts falling due after one year:		
Advance corporation tax	9,450	-
	<u>1,902,855</u>	<u>1,965,736</u>

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

13 CREDITORS - amounts falling due within one year

	Note	1997 £	1996 £
Bank overdraft	17	86,901	487,570
Trade creditors		493,905	646,623
Corporation tax		328,895	236,031
Other taxes and social security costs		194,854	147,044
Other creditors		1,788	186
Accruals and deferred income		178,737	222,316
Proposed dividend		37,800	-
		<u>1,322,880</u>	<u>1,739,770</u>

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

14 DEFERRED TAXATION

Deferred taxation is made up as follows:

	<i>Potential and provided</i>	
	1997 £	1996 £
Capital allowances in advance of depreciation	49,400	44,700
Other timing differences	(14,200)	(6,700)
	<u>35,200</u>	<u>38,000</u>

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

Movements on the provision for deferred taxation are:

	£
At 1 January 1997	38,000
Transferred from profit and loss account	(2,800)
	<u>35,200</u>
At 31 December 1997	<u>35,200</u>

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

15 SHARE CAPITAL

	1997 £	1996 £
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

Three directors each have an option to purchase 500 ordinary shares of £1 each at par subject to conditions contained within the option agreements. These options can be exercised until 18 September 2001.

16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 1996	6,300	1,700	208,380	1,646,856	1,863,236
Profit for the year	-	-	-	495,366	495,366
Dividends	-	-	-	(18,900)	(18,900)
Other recognised gains and losses: release of revaluation surplus	-	-	(4,267)	4,267	-
At 1 January 1997	6,300	1,700	204,113	2,127,589	2,339,702
Profit for the year	-	-	-	694,596	694,596
Dividends	-	-	-	(75,600)	(75,600)
Other recognised gains and losses: release of revaluation surplus	-	-	(4,267)	4,267	-
At 31 December 1997	6,300	1,700	199,846	2,750,852	2,958,698

NOTES ON THE ACCOUNTS

at 31 December 1997

17 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	<i>At 1 January 1996 £</i>	<i>Cash flow £</i>	<i>At 31 December 1997 £</i>
Cash	602	105,658	106,260
Overdraft	(487,570)	400,669	(86,901)
	<u>(486,968)</u>	<u>506,327</u>	<u>19,359</u>

18 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. The amount of contributions outstanding at the year end was £9,000 (1996 - £nil).

19 OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings 1997 £</i>	<i>1996 £</i>	<i>1997 £</i>	<i>Other 1996 £</i>
Operating leases which expire:				
within one year	-	-	-	529
within two to five years	87,000	80,000	3,217	3,077
in over five years	-	-	-	-
	<u>87,000</u>	<u>80,000</u>	<u>3,217</u>	<u>3,606</u>

20 CAPITAL COMMITMENTS

At 31 December 1997, the company had no contracted commitments for future capital expenditure (1996 - £200,000).

21 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.

The Lindsay Group Limited

NOTES ON THE ACCOUNTS

at 31 December 1997

22 TRANSACTIONS WITH DIRECTORS

During the year, a loan was given to a director, A J Thomson. This was an interest free loan repayable in monthly instalments.

	1997 £
Amount outstanding at 1 January	-
Monies advanced by company during the year	5,000
Amount repaid by A J Thomson during the year	(5,000)
	<hr/>
Amount outstanding at 31 December	-
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The maximum amount outstanding during the year was £5,000.

23 RELATED PARTIES

The company has patented a submarine weapons handling system called 'Magnum' which was invented by Mr Harold Armstrong, the company's defence sales manager. The company has entered into an agreement with Mr Armstrong whereby 50% of profits made on the sale of the product will be paid to him. The company is meeting all of the development costs of this product. Costs of £9,870 have been written off through profit and loss account in the year (1996 - £10,460).