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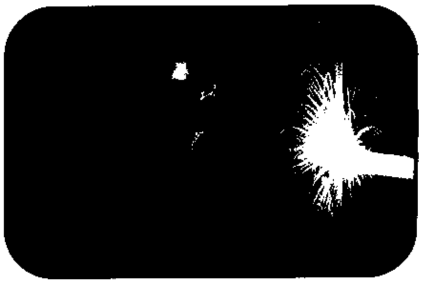
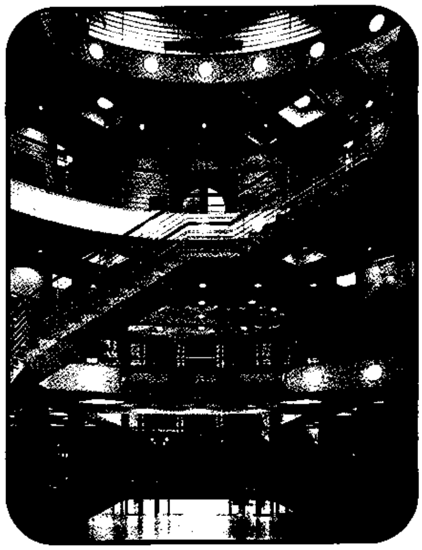


Financial Calendar

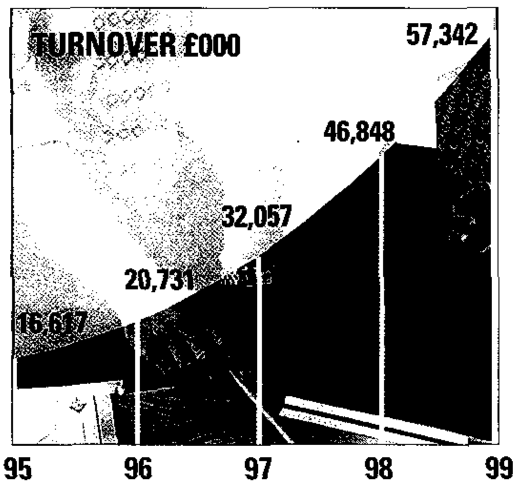
1999 Final Results	1 October 1999
Posting of Annual Report	4 October 1999
Annual General Meeting	28 October 1999
Final Dividend Payment	27 November 1999
Interim Results	March 2000
Interim Dividend Payment	May 2000

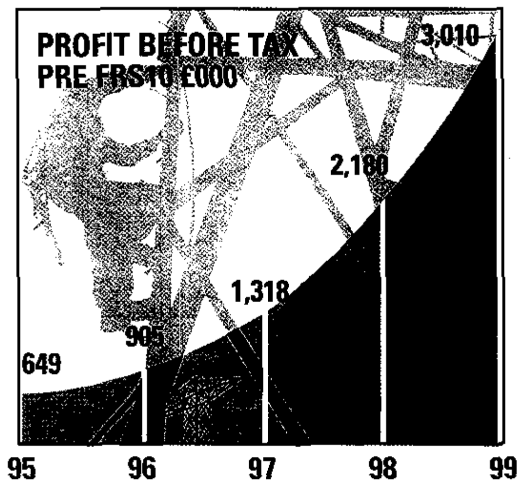


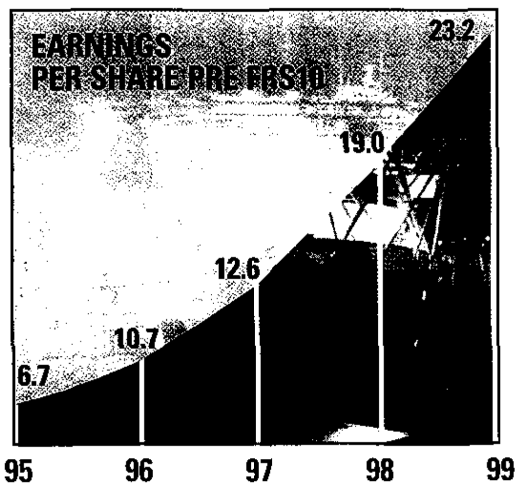
Highlights

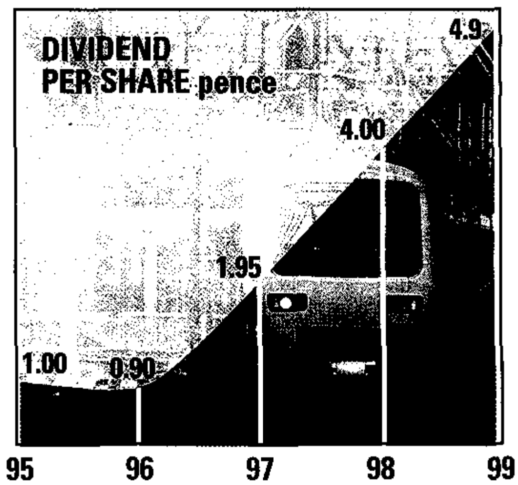
The Group reports:			
Year ended 30 June	1999	1998	Increase
Turnover (£000)	57,342	46,848	22.4%
Operating profit pre FRS10 (£000)	3,232	2,321	39.3%
Profit before tax pre FRS10 (£000)	3,010	2,180	38.1%
Earnings per share pre FRS10	23.2p	19.0p	22.1%
Dividend per share	4.90p	4.00p	22.5%

Financial Record









Dr Tom Clark, Executive Chairman and Managing Director

I am pleased to report a further year of exceptional performance

Chairman's statement

A further year of exceptional performance in an industry forecast to provide continuing high growth

OVERVIEW

I am pleased to report that the year to 30 June 1999 saw the Group deliver another exceptional performance and another set of record results. Since 1994, our unique portfolio of higher value technical support services has generated a fivefold increase in earnings per share. We have established a spread of high quality outsourcing partners throughout industry and are tightly focused on our chosen markets. Our specialist skills have a range of applications protecting us from short term slow downs in any single sector while high demand for our particular skills has permitted us to be selective and to manage risk through our review procedures. In line with our stated objectives, over the year under review, we have increased our operating profit margin and achieved organic operating profit growth in line with expectations. Outsourcing continues to be a powerful driver for our business in each of our areas of operation and our specialist skills maintain high barriers to entry.

Amongst our significant achievements during this twelve month period have been:

- Financial Results – further record turnover and profits achieved
- Strategic Acquisitions – HPC and C&C acquired in April 1999 provided an immediate improvement to the quality of the Group's earnings
- Further Geographic Expansion – new bases established in Cardiff, Hull, Inverness and Penzance

RESULTS

The Group has once again achieved record turnover and profits. In the 12 months to 30 June 1999, turnover increased by 22.4% to £57.3m, profit before tax and goodwill amortisation rose by 38.1% to £3.01m and fully taxed earnings per share before goodwill amortisation grew by 22.1% to 23.2p (1998 – 19.0p, tax rate of 26.7%). Contribution to

Chairman's Statement

earnings from our HPC and C&C acquisitions and core business matched our internal targets. In addition, net operating profit margins before goodwill amortisation rose to 5.64% this year (1998 – 4.95%).

Some carefully appraised complementary quality acquisitions

DIVIDENDS

Your Board is recommending a final dividend of 3.27p net (1998 – 2.67p) per share making a total for the year of 4.90p net (1998 – 4.00p). The total dividend is covered 4.3 times (1998 – 4.6 times) by the earnings before goodwill amortisation per ordinary share for the year. The final dividend will be payable on 27 November 1999 to shareholders on the register at the close of business on 22 October 1999.

BALANCE SHEET

In view of the nature of the projects undertaken by the Group, the Board attaches significant importance to maintaining a strong capital base. Gearing remains broadly unchanged at 38%, when compared to December 1998, (assuming maximum payments are made under the terms of the acquisition agreements, gearing rises to 53%) and interest cover before goodwill amortisation is a very healthy 14.6 times (1998 – 16.5 times). The Group continues to focus on the strong management of its working capital. We believe this to be a prudent strategy, particularly given our current rate of organic growth and the number of acquisition opportunities in the review process at any one time.

ACQUISITIONS

Our acquisition team has had a successful year and continues to play an important role in our future plans. At any time, in our market area of technical support services, several acquisition opportunities are normally under review and our team seeks to identify cultural compatability and synergy at an early stage.

During the year to June 1999, we made two carefully selected acquisitions. In April 1999 we acquired HPC Ltd (HPC), which is located at Muir of Ord, near Inverness, and C&C Electrical Engineering Ltd (C&C) which is based in Cardiff. Both are earnings enhancing and immediately widened our presence in the UK market.

HPC specialises in installing and maintaining overhead power systems. Technical and safety requirements make this a niche business and customers are normally major utilities. As anticipated, we are extending the UK coverage of HPC and our existing optical fibre communications skill already provides a complementary integrated service matched by few competitors. Extended term framework contracts are a feature of this industry where safety and technical skills are the key to success.

Chairman's Statement

C&C in Cardiff provides project management and multi-discipline building services in South Wales. The integration of C&C with the Semple business has already created new opportunities and our existing rail business in Bristol is now controlled by the new Cardiff team. Already we are seeing significant opportunities for growth.

POST YEAR END

On 4 August 1999 we announced the acquisition of Advanced Computer Installations Ltd (ACI) for a maximum possible consideration of £2.24million. ACI is a UK systems integrator business engaged in the design, supply and installation of data and voice structured cabling services and the supply, maintenance and configuration of integrated network products. We acquired the entire share capital of ACI using a combination of cash, loan notes and shares. With Unisys, Hewlett Packard and others as partners we will now more quickly penetrate this exciting market. Contracted term agreements give a secure base for future earnings and there is already a strong beneficial linkage with our existing business.

OPERATIONAL REVIEW

Within the **support services market** we continue to focus on the key activities of **facilities managed maintenance and development**, **systems engineering** and **building services.**

The transport and utility infrastructure industries represent a substantial part of our business, with technically similar support being deployed in both the **highway** and **rail support service industries** where optical fibre is an important communication medium. Much of the UK motorway network is already served by communications systems installed and now maintained by us. A **facilities managed maintenance and development** contract for the maintenance of optical systems on the motorway network continues to be in our hands. As the cycle of infrastructure improvement continues, it is pleasing to know that we are recognised nationally by the Highways Agency, the Scottish and Welsh Offices, the Department of Environment (Northern Ireland), by local government and by our commercial partners as one of the leading providers of **systems engineering** in security, message, optical, conventional communications and general electrical infrastructure. Similar technical skills are also deployed in the UK rail regions as well as in the London underground network. As the focus on efficiency and safety in our transport industries grows, there has been an increasing demand for improved information technology, communications and for innovative systems solutions. Renewable agreements continue to provide security of earnings and visibility on which our **systems engineering** activities are developed and implemented. Both the road and the rail industries have well publicised and substantial programmes of investment in hand. We expect these sectors to continue to provide us with high levels of activity over a period of several years. Military and other large security systems continue to be a specialisation of the company. Our engagement in this important and sensitive work covers a significant number of installations.

Semple Cochrane is now one of the country's leading marine repair and conversion specialists. The range of **marine services** that we provide is now offered from eight UK coastal locations from Aberdeen in the north to Penzance in Cornwall. In line with our expansion plans, the company completed its negotiations for a ten year operating contract at Penzance shipyard during June 1999. This repair drydock and conversion operation has extensive along side

Plans for growth continue to be underpinned by operational performance throughout the Group

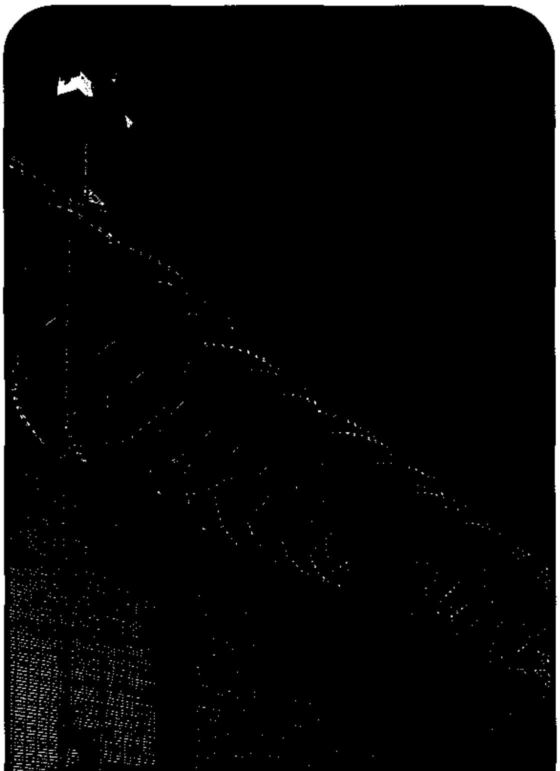
Chairman's Statement

and berthing facilities and has already secured work into the year 2000. The position of this business at the western approaches is expected to create further opportunities for the rest of the Group. As with ACI, the initial investment and integration costs associated with both these new businesses will have an effect in the short term but will, in the directors' opinion, improve our growth prospects in the medium term. We have focused particularly on the provision of a local service to shipowners but foreign tonnage is still significant. Our **marine support services** business is active worldwide for UK clients. Regulatory instruments require the constant re-certification of ships and improvements to safety, operating efficiency and comfort are constantly being introduced. It is worth noting that each new ship represents a twenty to thirty year support business opportunity for us.

During this trading period, the company continued to see excellent growth from its national project management and **building services** business. The provision of the mechanical, electrical, **data & voice communications systems**, CCTV, security and other services within a new building provides us with the ability to secure long term **facilitites managed maintenance and development** contracts and to develop extended relationships which we value. In the past year, renewal success has been high. Business growth in the South of England and the London area in particular has been satisfactory and this trend is expected to continue.

Relationships with ***utilities support service*** *providers and government* agencies remain strong, with contract renewals and new bid opportunities being achieved in all market sectors.

Our business in Thailand, although small, remains our only non-UK permanent base. Our work in the Asean region is mainly in **systems engineering** for central government authorities. During the year this business has produced modest profits.



A five-fold increase in earnings per share

RETENTION OF BUSINESS

Client retention and re-bid wins continue to confirm customer satisfaction and for the year I can report a retention rate of 90% and the entry of 30% new users to our portfolio. Formal and informal joint ventures are a feature of the business. An example is the recently concluded joint co-operation agreement with marine design support specialists DHE. This alliance has already produced a satisfactory improvement in our market penetration.

CONTROL ENVIRONMENT

As we successfully manage change and integration across our business, we work continually to strengthen the operating controls and to this end I can report that we have established an Internal Audit function and a Risk Management Committee, conforming to the draft guidance issued following the Turnbull Working Party recommendations. In line with my statement earlier this year, we have also put in place new management information systems to control our future growth.

BOARD

As indicated in March 1999, the company has recently increased the number of its non-executive directors to three. Mike Smith joined the Board on 29 July with John Hewitt and Ian Kirkpatrick being appointed as non-executive directors on 14 September 1999.

During this year the company has advanced its succession plans considerably with the aim of splitting the role of Chairman & Managing

Chairman's Statement

Director. Overall operational authority is already progressively passing to my two colleagues Wilson Evans, Finance Director and Steve Avery, Operations Director. In addition, as announced on 29 July 1999, I will become Chairman on the appointment of a new Managing Director. Steve Avery has had control of the operations of the company since his promotion to Operations Director and, together with Gerry Hughes, Executive Director, monitors our operating units against agreed budgets and provides the customer interface through their division directors and managers. The operating financial infrastructure is under the control of Russell Hynd who assumed the role of Company Secretary in March this year.

To successfully manage change and integration across our business

HUMAN RESOURCES

In response to the ever-increasing demands of the business and its customers, we have again increased our graduate intake. Training programmes are being offered to an increasing number of staff whose needs are identified through our internal appraisal programme. With 18 locations and 1100 personnel throughout the UK, we recognise that our human resource is key to our success and it is a source of satisfaction to know that we have provided opportunities for learning and advancement to so many of our people. It is anticipated that an additional training facility will be established in the near future.

PROSPECTS

During 1999 the company made a number of changes to its Board, its operating structure and its supporting information systems. We have invested substantially in training and in new businesses, which will mature over time. As these investments and operating improvements feed through, we expect to see the positive effects at an operating level. Independent forecasts indicate continuing strong growth in all our markets for the foreseeable future and the Board is confident that the company will evolve and expand to meet the requirements of its customers and continue to deliver satisfactory returns to its shareholders.

DR TOM CLARK
Executive Chairman and Managing Director
1 October 1999

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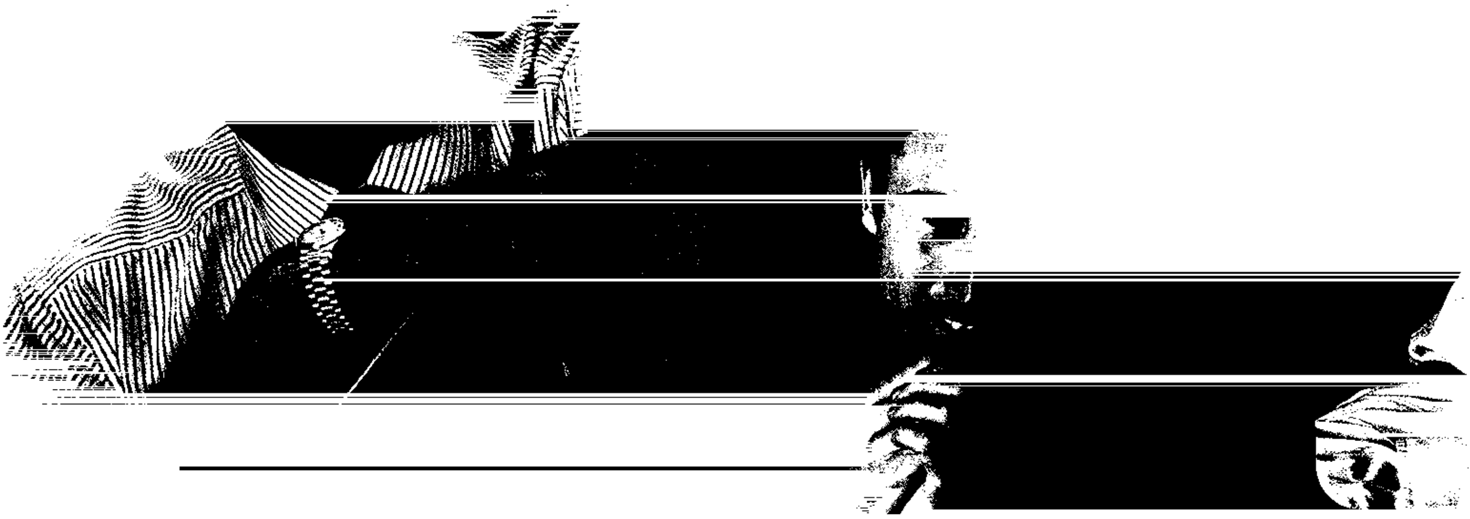

DR. TOM CLARK

Dr. Tom Clark (55) is Executive Chairman and Managing Director. He joined Semple Cochrane in 1980 as one of four Directors/Shareholders who acquired the business at that time. During the last 19 years, he and the other Directors/Shareholders have been instrumental in developing Semple Cochrane. His principal responsibilities include the development of Group strategy and identifying both organic growth and acquisition opportunities.

WILSON EVANS, C.A.

Wilson Evans, C.A. (55) was appointed Finance Director in May 1995. He is responsible for all financial matters and management information systems, and works closely with the Executive Chairman on strategic planning, acquisition opportunities and communication with investors. He was previously Finance Director of Havelock Europa PLC, one of the UK's leading store designers and shopfitters.

RUSSELL HYND, C.A.
Company Secretary

Russell Hynd, C.A. (29) Group Financial Controller, was appointed as Company Secretary in March 1999. He has been involved with the company since flotation in November 1996 and qualified as a Chartered Accountant with Price Waterhouse in 1993. He is responsible for the operating financial infrastructure of the Group.

JOHN HEWITT

John Hewitt (52) was appointed Non-Executive Director in September 1999. He was previously Group Chief Executive of [illegible] plc, a fully listed UK and overseas building materials Group, which was acquired by Kingspan plc in February 1999. He currently holds [illegible] other Non-Executive Directorships in unlisted companies.

MIKE SMITH

Mike Smith (48) was appointed as Non-Executive Director in July 1999. He is an MBA with 27 years industrial experience within companies including Thorn EMI Plc, Scottish Power Plc, and latterly Fletcher Challenge Ltd (New Zealand).

STEVE AVERY

Steve Avery (43) was appointed an Executive Director in January 1998 and as Operations Director in August 1999. He is responsible for the control of the operations of the Group. He is a Chartered Civil Engineer and has been with the Group for 11 years.

GERRY HUGHES

Gerry Hughes (47) was appointed an Executive Director in January 1998. He is responsible for Semple Cochrane's Marine division and joined the Group at the time of acquiring Forth Estuary Engineering Limited and its subsidiaries in October 1997. He is a Marine Engineer of 29 years experience and has been the Managing Director of the Forth Group of companies for 14 years.

IAN KIRKPATRICK

Ian Kirkpatrick (55) was appointed Non-Executive Director in September 1999. He has held a number of public company appointments in both Executive and Non-Executive roles. He is currently Chairman of Harvey Nash Group PLC, the fully listed recruitment and I.T. Contract business, and of the Hunting Gate Group, an unlisted property investment Group.

ALEXANDER MATHESON

Alexander Matheson (67) was appointed as Executive Director in April 1999. He is responsible for the development and integration of HPC Limited within the enlarged Group and joined the Board at the time of the HPC acquisition in April 1999. He has 45 years experience within the overhead energy transmission industry.

Advisors

Auditors

Deloitte & Touche
Chartered Accountants
17 Blythswood Square
Glasgow, G2 4AD

Legal Advisors

MacRoberts
Solicitors
27 Melville Street
Edinburgh, EH3 7JF

Stockbrokers/Financial Advisors

Williams de Broë plc
PO Box 515
6 Broadgate
London, EC2M 2RP

Bankers

Clydesdale Bank PLC
PO Box 1472
30 St Vincent Place
Glasgow, G1 2HP

Registrars

Independent Registrars Group
Balfour House
390/398 High Road
Illford
Essex, IG1 1NQ

Notice of Annual General Meeting

NOTICE is HEREBY GIVEN that the Annual General Meeting of Semple Cochrane PLC will be held at Paisley and District Chamber of Commerce, St Andrews Drive, Glasgow Airport, Paisley on 28 October 1999 at 11am for the following purposes:-

ORDINARY BUSINESS

1. To receive the Directors' report and financial statements for the Group, for the financial year ended 30 June 1999, together with the auditors' report;
2. To declare a final dividend of 3.27p net per ordinary share of the Group;
3. To re-elect Dr T A Clark as a Director;
4. To re-elect Mr A Matheson, Mr M Smith, Mr J P Hewitt and Mr I Kirkpatrick as Directors;
5. To re-appoint Deloitte & Touche, Chartered Accountants, as auditors of the company and to authorise the Directors to fix their remuneration;

SPECIAL BUSINESS

Resolution 6 will be proposed as a special resolution:

6. That the directors of the Company be and they are hereby generally authorised and empowered during the period expiring at the conclusion of the next annual general meeting of the Company to exercise all powers of the Company to allot equity securities as defined in Section 94(2) of the Companies Act 1985 ("the Act") as if Section *89(1) of the Act did not apply in the case of:*
   a. allotments in connection with a rights issue to shareholders where the directors shall have the right to make such exclusions or other arrangements as they may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of or requirements of any recognised regulatory body or any stock exchange in any territory, or otherwise howsoever;
   b. other allotments of equity securities for cash where this authority shall be limited in aggregate to the allotment of or involving equity share capital not exceeding (in nominal value) 5% of the nominal value of the issued share capital of the Company as at the date hereof.

By order of the Board
Russell Hynd
R J Hynd
Company Secretary
1 October 1999

Registered Office:-
14 William Street
Paisley
PA1 2NA

Notes

A An Ordinary Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. Completion of a *form of proxy will not preclude a member from attending and voting at the meeting in person.*

B A form of proxy is enclosed which, to be valid, must be completed in accordance with the instruction printed thereon and be lodged with the Company's Registrars not later than 48 hours before the time of the Meeting.

C The Register of Directors' interests in the share capital of the Company maintained under Section 325 of the Companies Act 1985, will be available for reference at the place of the Meeting from 10.30 am until its conclusion.

D Copies of all Directors' service contracts of more than one year's duration will be available for inspection at the Registered Office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the date of the Meeting and at the place and date of the Meeting from 10.30am until its conclusion.

Registered and Head Office – 14 William Street, Paisley, PA1 2NA

Company Registration No – *SC 32434*

Directors' Report

The Directors submit their annual report and audited financial statements for the year ended 30 June 1999.

PRINCIPAL ACTIVITIES

Semple Cochrane's principal activities are technically based support services and generally fall into the following broad categories:

- Facilities Managed Maintenance and Development
- Systems Engineering
- Building Services

REVIEW OF ACTIVITIES

A review of the development of the business, its activities during the year, of events since the year end and of future plans is given in the Chairman's Statement on pages 3 to 7.

RESULTS

The Group profit for the year after taxation, minority interest and goodwill amortisation amounted to £1,806,000 (1998 – £1,475,000). The Directors recommend a final ordinary dividend of 3.27p per ordinary share amounting to £329,000, making a total of £491,000 and 4.90p per share (1998 – £349,000 and 4.00p) for the year respectively, which leaves a retained profit of £1,315,000 to be added to reserves.

DIRECTORS

The Directors of the Group are listed on pages 8 and 9.

In accordance with the Articles of Association, Dr Tom Clark retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. John McKee, an Executive Director, retired from the Board on 15 March 1999. On 8 April 1999 Alexander Matheson was appointed as Executive Director at the time of acquiring HPC Ltd. On 29 July 1999 Mike Smith was appointed as Non-Executive Director and Robert Beaty and Malcolm Chapman, both Non-Executive Directors, resigned. On 4 August 1999 John Brady, an Executive Director, left the Company to take up a new appointment. On 14 September 1999, John Hewitt and Ian Kirkpatrick were appointed as Non-Executive Directors. Details of the Directors' service contracts or contracts of appointment are shown in the Report of the Board to the Shareholders on Directors' Remuneration.

The Directors' interests in the shares of the Company are shown in note 5 to the financial statements. The interests of the Directors under the Share Option Schemes of the Company are shown in the Report of the Remuneration Committee.

There is no change in Directors' interests during the period 1 July 1999 to 27 September 1999.

SUBSTANTIAL SHAREHOLDERS

At 29 September 1999, other than Directors listed in note 5 to the financial statements, the following had notified an interest in 3% or over of the issued share capital:

	No of shares	Percentage
Bank of New York (Nominees) Ltd	515,265	5.19
Chase Nominees Ltd	360,743	3.63
Chase Nominees Ltd USS Acct	545,000	5.49
Nutraco Nominees Ltd	455,890	4.59
RBSTB Nominees Ltd	951,382	9.58
Stanlife Nominees Ltd	622,236	6.27
Vidacos Nominees Ltd	385,552	3.88

Directors' Report

IMPORTANT EVENTS OCCURRING AFTER THE END OF YEAR

On 4 August 1999 the Company acquired the entire issued share capital of Advanced Computer Installations Limited (ACI), a UK Systems Integrator business engaged in the design, supply and installation of data and voice structured cabling services and the supply, maintenance and configuration of integrated network products. The entire issued share capital of ACI was acquired using a combination of cash, loan notes and shares. Further information is contained within note 29.

EMPLOYEES

The average number of employees and details of employment costs are set out in note 5 to the financial statements. The Group gives full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Training is arranged for disabled persons, if appropriate, including retraining for alternative work for employees who become disabled to promote their career development within the organisation.

The Directors are committed to effective communications with employees at all levels through regular meetings to discuss sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters which concern the employees.

An employee magazine is available to all employees twice annually which includes articles on the Group's performance and plans.

We encourage the involvement of employees in the performance of the Group through the employee Save As You Earn share option scheme.

PAYMENT TO SUPPLIERS

The Group aims to pay suppliers and subcontractors in line with contract terms. The Group had an average of 88 days' purchases (1998 – 84 days' purchases) outstanding in trade creditors.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations amounted to £6,115 (1998 – £3,940). There were no political donations.

YEAR 2000 COMPLIANCE

Semple Cochrane continue to measure compliance based upon the BSi document *'A Definition of Year 2000 Conformity Requirements'* in view of the uncertainties surrounding the Year 2000.

An assessment programme has been completed and risks associated with the business have been identified and acted upon. The Year 2000 project team have reported the findings of this assessment programme to the Board and continue to provide regular progress updates on programme implementation.

Compliance has been established through a defined structure comprising inventory, assessment, planning, implementation and testing. Our operations are currently engaged in the final phase of systems testing.

The project team has approached all Company suppliers and verified the status of their Year 2000 operations. All critical suppliers have been identified and Year 2000 conformity established.

The replacement programme relating to our information technology systems has been fully implemented and we anticipate completion of systems testing by October 1999. The costs involved in achieving Year 2000 compliance have been considerably offset by this programme and are not separately distinguishable.

Contingency plans have been developed and information relating to all business sectors will continue to be updated and amended through the millennium.

Directors' Report

AUDITORS

Rutherford Manson Dowds merged their practice with Deloitte & Touche on 1 July 1999 and now carry on business under the name of Deloitte & Touche. The Directors consented to the appointment of Rutherford Manson Dowds as auditors of the Company being treated as extending to Deloitte & Touche. A resolution to re-appoint Deloitte & Touche as auditors will be proposed at the Annual General Meeting.

By Order of the Board
Russell Hynd
R J HYND
Company Secretary

14 William Street
Paisley, PA1 2NA

1 October 1999

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 affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 Group and to prevent and detect material fraud and other irregularities.

Corporate Governance

In June 1998 the Combined Code was issued by the London Stock Exchange. This code is based on the report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code provisions which consolidate the work of the earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

A narrative statement on how the Company has applied the Principles and a statement explaining the extent to which the provisions in the Code have been complied with appear below.

DIRECTORS

The Company is controlled through the Board of Directors which currently comprises five executive and three independent Non-Executive Directors. As the Chairman is mainly responsible for the running of the Board, he has to ensure that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Managing Director's responsibilities focus on co-ordinating the Company's business and implementing Group strategy. All Directors are able to take independent professional advice in the furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all Directors receive appropriate training on appointment and then subsequently as appropriate. A budget is established for this purpose.

All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established a number of standing committees. Each committee operates within defined terms of reference. The principal committees are the Executive Committee, which operates as a general management committee, the Audit Committee, the Remuneration Committee and, following the introduction of the Code, a Nominations Committee. Trading companies are managed by separate monthly meetings.

The Nominations Committee was established on 6 August 1999 and makes recommendations to the Board on all new Board appointments. Prior to then the Board had not operated such a Committee due to its size. The Board believes it is a 'small' Board per the Code and therefore does not need to establish such a Committee. However it considers that such a Committee will reassure shareholders as to the suitability of chosen Directors. The Nominations Committee, chaired by Mike Smith, consists of the Chairman, Dr Tom Clark, and all three Non-Executive Directors and will meet at least once a year or at the request of the Board.

DIRECTORS' REMUNERATION

The Remuneration Committee, comprising all three Non-Executive Directors and under the chairmanship of Mike Smith, measures the performance of the Executive Directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Board for final determination. The remuneration of the Non-Executive Directors is a matter for the Board. The final determinations are made by the Board as a whole but no Director plays a part in any discussion about his, or her, own remuneration. The Committee consults the Chairman and Managing Director about its proposals and has access to professional advice from inside and outside the Company. During the year the Committee comprised of two Non-Executive Directors – Robert Beaty and Malcolm Chapman and one Executive Director, Gerry Hughes.

The Report of the Board to the Shareholders on Directors' Remuneration is set out on pages 19 to 21.

RELATIONS WITH SHAREHOLDERS

The Company encourages two way communication with both its institutional and private investors and responds quickly to all queries received verbally or in writing. The Chairman, Dr Tom Clark and the Finance Director, Mr Wilson Evans, attended over forty meetings with analysts and institutional shareholders in the year ended 30 June 1999. All shareholders have at least twenty working days notice of the Annual General Meeting at which all Directors and Committee chairs are introduced and available for questions.

Corporate Governance

ACCOUNTABILITY AND AUDIT

Financial Reporting

Detailed reviews of the performance and financial position of our three key activities are included in the Chairman's Statement on pages 3 to 7 which together with the Directors' Report on pages 12 to 14 the Board uses to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibility for the financial statements is described on page 15.

INTERNAL FINANCIAL CONTROL

The Directors are responsible for the Group's system of internal financial control. Such a system can provide only reasonable but not absolute assurance against material misstatement or loss. The key control procedures are described under the following five headings:

Financial information

The Group has a comprehensive system for reporting financial results to the Board; each operating division prepares monthly results with a comparison against budget. The Board reviews these for the Group as a whole and determines appropriate action. Budgets and plans are reviewed by the Board before being adopted formally.

Operating division financial controls

The Executive Management has defined the financial controls and procedures with which each operating unit is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting. The operating divisions make regular assessments of their exposure to major business risks and the extent to which these risks are controlled. These management assessments are checked by visits from internal auditors. The reports arising from such visits are given to both the executive and unit management and the Audit Committee.

Computer systems

Much of the Group's financial and management information is processed by and stored on computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. Also, the Group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of the Group's own data processing facility. These arrangements are tested regularly and reviewed by the Group's internal audit department.

Controls over central functions

A number of the Group's key functions, including: treasury; financial support; health and safety; and insurance, are dealt with centrally. Each of these functions has detailed procedures manuals and is required to report to the Board on a monthly basis; the treasury department also reports daily to the Finance Director or, in his absence, to the Group Financial Controller. These central functions are also subject to self-assessment and visits by the Group's internal auditors.

The Board has conducted for 1998/99, an annual review of the major business and financial risks, the control environment, information on and arising from control procedures and the results of the internal audit function's work.

The Board reviews annually the effectiveness of the internal financial control framework.

Audit Committee and Auditors

The Audit Committee, comprising the three Non-Executive Directors and under the chairmanship of John Hewitt, has specific terms of reference which define its authority and duties. It meets at least twice a year with the external auditors attending by invitation. The Committee overviews the monitoring of the adequacy of the Group's internal controls, accounting policies, and financial reporting as well as the independence, objectivity and cost effectiveness of the Group's auditors, and provides a forum through which the Group's external auditors and internal audit function report to the Non-Executive Directors. Part of each meeting of the Audit Committee is held between the Non-Executive Directors and external auditors in private. During the year the Committee comprised of two Non-Executive Directors – Robert Beaty and Malcolm Chapman and one Executive Director, Steve Avery.

Going Concern basis

After making enquiries, the Directors have formed a judgement that, at the time of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Save the limited exceptions outlined below, the Company has complied throughout the accounting period ended 30 June 1999 with the provisions set out in Section 1 of the Code.

The exceptions arise from the fact that the Listing Rules, to which the Code is appended, were published in June 1998 and required a period of consideration by the Board. The exceptions to the Code and the resulting changes to the Company's corporate governance procedures to comply with specified Code provisions were as follows:

A.2.1 There was no Senior Independent Director during the period given the present size of the Board. All decisions rest with the Board as a whole which from 14 September 1999 comprises five Executive Directors and three Independent Non-Executive Directors (Mike Smith, John Hewitt and Ian Kirkpatrick). During the year there were two Independent Non-Executive Directors (Robert Beaty and Malcolm Chapman).

A.2.1 The roles of Executive Chairman and Managing Director were not split during the period. Both positions were held by Dr Tom Clark. As detailed in the Chairman's Statement the Company has advanced its succession plans with the aim of splitting these roles. The Company announced on 29 July 1999 its intention to appoint a new Managing Director at which point Dr Tom Clark will assume the role of Chairman.

A.3.1 The Board did not comprise three Independent Non-Executive Directors during the whole period. The Board comprised two Independent Non-Executive Directors throughout the period, reducing to one from 29 July 1999 until 14 September 1999, at which point a further two Independent Non-Executive Directors were appointed to make a total of three.

A.3.1, B.2.2 The Audit Committee and Remuneration Committee should comprise only Non-Executive Directors. Prior to 24 September 1999 Steve Avery, an Executive Director, was a member of the Audit Committee and Gerry Hughes, an Executive Director, was a member of the Remuneration Committee.

As permitted by the London Stock Exchange, the Company has complied with Code provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance on internal control and financial reporting that was issued in December 1994.

FINANCIAL INSTRUMENTS

The Group's financial instruments, comprise bank borrowings, short-term loans, guaranteed loan notes, commercial paper, some cash and liquid resources and various items such as trade debtors, trade creditors etc. that arise directly from its operations The main purpose of these financial instruments is to finance the Group's operations. The Group did not enter into any derivative transactions during the period.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group finances its operation by a mixture of retained profits, bank borrowings, guaranteed loan notes and commercial paper. The Group borrows at both fixed and variable rates of interest and both interest and borrowings are closely monitored on an on-going basis by the Group Treasury function. At the 30 June 1999 interest cover is a healthy 14.6 times (1998 – 16.5 times).

LIQUIDITY RISK

As regards liquidity, the Group's policy is to ensure that financing is matched to the gearing characteristics of the Group at any particular time and for any project/acquisition. Short term flexibility and the funding of working capital only will be achieved by overdraft facilities.

FOREIGN CURRENCY RISK

The Group has an overseas subsidiary in Thailand. Its revenue and expenses are denominated in Thai baht. Trading in Semple Cochrane (Asia) Co. Ltd has been kept at a modest level this year, in accordance with the Board's strategy of minimising exposure to foreign exchange rate losses. The Group has not increased borrowings in Thailand over the past 12 months in either sterling or baht and the Board will continue to monitor the Asian market on an on-going basis.

… of the Board to the Shareholders
…rectors' Remuneration

The Remuneration Committee, under the chairmanship of Mike Smith and comprising all Independent Non-Executive Directors measures the performance of the Executive Directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Board for final determination. The remuneration of the Non-Executive Directors is a matter for the Board. The final determinations are made by the Board as a whole but no Director plays a part in any discussion about his, or her, own remuneration. The Committee consults the Chairman and Managing Director about its proposals and has access to professional advice from inside and outside the Company.

The objective of our Executive Remuneration Policy is to align individual reward and incentives directly with the performance of the Group and hence with the interests of our shareholders and total shareholders' return and to attract, retain and motivate high calibre management.

It is the aim of the Committee to reward Directors competitively using the broad principle that their remuneration should be based around the remuneration levels paid to senior managers in comparable public companies. For guidance the Committee makes use of surveys of executive pay and knowledge of market rates. The Group operates an annual bonus scheme for Executive Directors which is not pensionable. Annual bonuses are based on a scale related to the achievement of the Group's growth in Earnings Per Share in excess of a base/minimum percentage increase.

The remuneration of the Non-Executive Directors is determined by the full Board with only Executive Directors voting. The Non-Executive Directors do not participate in the bonus, profit-related pay, profit sharing, share options and pension schemes.

The following tables bring together, in one place, the various elements of remuneration received by each Director during the year.

DIRECTORS' REMUNERATION

	Salary and Fees	Bonus	Benefits in kind	Total		Contributions to Defined Contribution Pension Schemes	
				1999	1998	**1999**	1998
Executives	£	£	£	**£**	£	**£**	£
Dr Tom Clark	143,123	29,145	13,906	**186,174**	174,330	**37,632**	34,432
Wilson Evans	91,742	18,830	10,075	**120,647**	99,735	**4,524**	2,400
Gerry Hughes	80,538	17,375	6,566	**104,479**	69,347	–	–
Steve Avery	79,556	16,250	5,708	**101,514**	45,448	**4,350**	2,183
Alexander Matheson	7,886	–	–	**7,886**	–	–	–
John Brady	79,556	–	6,667	**86,223**	23,607	**4,320**	1,075
John McKee	26,089	–	4,853	**30,942**	87,377	**6,750**	17,355
Ian McKendrick	–	–	–	–	101,272	–	12,775
Dan Wright	–	–	–	–	39,250	–	–
	508,490	81,600	47,775	**637,865**	640,366	**57,576**	70,220
Non-Executives							
Robert Beaty	16,840	–	–	**16,840**	14,661	–	–
Malcolm Chapman	18,745	–	–	**18,745**	–	–	–
Dan Wright	–	–	–	–	14,678	–	–
	35,585	–	–	**35,585**	29,339	–	–
Total	544,075	81,600	47,775	**673,450**	669,705	**57,576**	70,220

On 29 July 1999, as part of the Board's stated succession plan, Dr Tom Clark, Executive Chairman and Managing Director, indicated that he wishes to retire from the position of Managing Director in the Company. The Company has commenced the process to identify and appoint a new Managing Director, following which Tom Clark will assume the role of Chairman.

On 15 March 1999 John McKee retired from the Board. On 29 July 1999 Mike Smith was appointed as Non-Executive Director and Robert Beaty and Malcolm Chapman resigned. On 4 August 1999 Steve Avery was appointed as Operations Director and John Brady left the Company to take up a new appointment.

Report of the Board to the Shareholders on Directors' Remuneration

On 14 September 1999, John Hewitt and Ian Kirkpatrick were appointed as Non-Executive Directors.

The Group first introduced an Executive and Save As You Earn share option scheme on 25 November 1996. On 29 October 1998 Shareholder approval was given to replace the 1996 Scheme with the Semple Cochrane PLC 1998 Executive Share Option Scheme comprising two parts, an Inland Revenue approved part and an Unapproved part. On the same day shareholder approval was given to amend the 1996 Save As You Earn Share Option Scheme, aligning the SAYE dilution limits with those of the Executive Scheme.

These schemes are a key factor in attracting, retaining and motivating senior employees. The Group grants share options to Directors and other senior employees on a discretionary basis, in order to reward their long term commitment to the Group. The granting of all share options is subject to the approval of the Remuneration Committee. Options under the Executive Scheme are exercisable between the 3rd and 10th anniversary of issue subject to the condition that the growth in the Group's earnings per share must exceed the growth in the retail price index in the 3 year period prior to the proposed date of exercise by an average of 3%.

By Director	Exercise Price (p)		At 30 June 1998	Granted in year	Leavers in year	**At 30 June 1999**	Exercisable Between
Dr Tom Clark	264	Approved	*11,000	–	–	*11,000	10/01/2000 – 10/01/2007
	430	Unapproved	–	*20,000	–	*20,000	17/03/2002 – 17/03/2009
			11,000	20,000	–	31,000	
Wilson Evans	264	Approved	*11,000	–	–	*11,000	10/01/2000 – 10/01/2007
	186		†3,929	–	–	†3,929	10/03/2000 – 10/09/2000
	398		†184	–	–	†184	01/06/2001 – 01/12/2001
	365.2		–	†212	–	†212	01/06/2002 – 01/12/2002
	430	Unapproved	–	*20,000	–	*20,000	17/03/2002 – 17/03/2009
			15,113	20,212	–	35,325	
Gerry Hughes	360	Approved	*8,000	–	–	*8,000	29/11/2000 – 29/11/2007
	430	Unapproved	–	*20,000	–	*20,000	17/03/2002 – 17/03/2009
			8,000	20,000	–	28,000	
Steve Avery	264	Approved	*8,000	–	–	*8,000	10/01/2000 – 10/01/2007
	263	Unapproved	*3,000	–	–	*3,000	09/04/2000 – 09/04/2007
	430	Unapproved	–	*20,000	–	*20,000	17/03/2002 – 17/03/2009
	186		†3,929	–	–	†3,929	10/03/2000 – 10/09/2000
	398		†184	–	–	†184	01/06/2001 – 01/12/2001
			15,113	20,000	–	35,113	
John Brady	263	Approved	*4,000	–	–	*4,000	09/04/2000 – 09/04/2007
	360	Approved	*5,000	–	–	*5,000	29/11/2000 – 29/11/2007
	430	Unapproved	–	*20,000	–	*20,000	17/03/2002 – 17/03/2009
			9,000	20,000	–	29,000	
Alexander Matheson	456.5	Approved	–	*6,571	–	*6,571	10/04/2002 – 10/04/2009
John McKee	264	Approved	*11,000	–	*11,000	–	10/01/2000 – 10/01/2007
TOTAL			69,226	106,783	11,000	165,009	

* Executive Share Options
† SAYE Share Options

The market price of the Group's shares on 30 June 1999 was 357.5p (1998 – 485.5p) with the high and low prices during the year to 30 June 1999 being 482.5p (1998 – 527.5p) and 265.0p (1998 – 296.5p) respectively.

Report of the Board to the Shareholders on Directors' Remuneration

SERVICE CONTRACTS

All the Executive Directors, with the exclusion of Mr G Hughes and Mr A Matheson, have Service Contracts terminable on 6 months' notice from either party. Mr G Hughes has a 24 month service contract terminable on 31 October 1999 or thereafter on 6 months' notice from either party. The reason the original contract was in excess of 12 months was to secure Mr G Hughes services for the Group following the acquisition of Forth Estuary Engineering Ltd and its subsidiaries. Mr A Matheson has a 12 month service contract terminable on 8 April 2000 or thereafter on 6 months' notice from either party. Mr J Brady's employment terminated on 4 August 1999 when he left the Company to take up a new appointment.

The Company may have a contractual obligation to pay compensation for the unexpired portion of a Director's contract, if it is terminated early.

NON-EXECUTIVE DIRECTORS

Non-Executive Directors have letters of appointment for an initial period of 12 months, which may be extended thereafter by mutual agreement. Each Non-Executive Director is entitled to a flat fee of £15,000 per annum plus reimbursement of reasonable expenses for their services as Non-Executive Directors.

Russell Hynd

By order of the Board
R J Hynd
Company Secretary
1 October 1999

Auditors' Report

TO THE MEMBERS OF SEMPLE COCHRANE PLC

We have audited the financial statements on pages 23 to 46 which have been prepared under the accounting policies set out on pages 28 and 29.

Respective responsibilities of directors and auditors

As described on page 15 the Company's Directors are responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 16 to 18 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the Company and the Group, 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.

Uncertainty relating to amounts recoverable on contracts

In forming our opinion, we have considered the adequacy of the disclosure made in note 14 to the accounts, concerning the Amounts Recoverable on Contracts, in relation to the outcome of one specific contract which has been in the course of negotiation for more than one year. Until these negotiations are completed, it is not possible to estimate, with any reasonable degree of certainty, whether or not adjustments are required to the figures included in the financial statements for Turnover, Profits before and after taxation, and Amounts Recoverable on Contracts. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE Deloitte & Touche.

Chartered Accountants and Registered Auditors
17 Blythswood Square
Glasgow G2 4AD
1 October 1999

Consolidated Profit and Loss Account

For the year ended 30 June 1999

	Note	1999 £000	Restated 1998 £000
Turnover			
Continuing operations		**52,812**	46,848
Acquisitions		**4,530**	–
	2	**57,342**	46,848
Cost of sales	3	**(49,572)**	(41,562)
Gross Profit	3	**7,770**	5,286
Administrative expenses pre goodwill amortisation	3	**(4,538)**	(2,965)
Goodwill amortisation	3	**(289)**	(124)
Administrative expenses		**(4,827)**	(3,089)
Operating Profit			
Continuing operations		**2,484**	2,197
Acquisitions		**459**	–
	4	**2,943**	2,197
Interest	6	**(222)**	(141)
Profit on ordinary activities before taxation		**2,721**	2,056
Taxation	7	**(901)**	(581)
Profit on ordinary activities after taxation		**1,820**	1,475
Equity minority interests		**(14)**	–
Profit for the financial year		**1,806**	1,475
Dividends	8	**(491)**	(349)
Retained Profit for the year	21	**1,315**	1,126
Earnings per ordinary share of 10p each			
Basic earnings per share, after amortisation of goodwill	9	**19.9p**	17.5p
Diluted earnings per share, after amortisation of goodwill	9	**19.6p**	17.3p
Basic earnings per share, before amortisation of goodwill	9	**23.2p**	19.0p
Diluted earnings per share, before amortisation of goodwill	9	**22.7p**	18.7p

Consolidated statement of total recognised gains and losses

	1999 £000	Restated 1998 £000
Profit for the financial year	**1,315**	1,126
Unrealised surplus on the revaluation of fixed assets	–	153
Currency translation differences on foreign currency net investments	**(29)**	(214)
Total recognised gains and losses relating to the year	**1,286**	1,065

Note on prior period adjustment

Total recognised gains and losses relating to the year (as above)	**1,286**
Prior period adjustments (as explained in note 1)	**(124)**
Total gains and losses recognised since last annual report	**1,162**

Note of historical cost profits and losses

No note of historical cost profits and losses is given as, in accordance with Financial Reporting Standard No. 3, the *Directors are of the view that the difference is not material.*

Consolidated Balance Sheet

As at 30 June 1999

	Note	1999 £000	Restated 1998 £000
Fixed assets			
Intangible assets: Goodwill	10	**10,722**	3,601
Tangible assets	11	**2,734**	1,685
		13,456	5,286
Current assets			
Stock	13	**641**	211
Debtors: amounts falling due within one year	14	**25,208**	15,929
amounts falling due outwith one year	14	**851**	862
Cash at bank and in hand		**1,484**	834
		28,184	17,836
Creditors: amounts falling due within one year	15	**(20,643)**	(12,310)
Net current assets		**7,541**	5,526
Total assets less current liabilities		**20,997**	10,812
Creditors: amounts falling due outwith one year	16	**(5,017)**	(162)
Minority interests			
Equity minority interests	19	**(21)**	–
Net assets		**15,959**	10,650
Capital and reserves			
Called up share capital	20	**993**	874
Share premium account	21	**9,498**	5,049
Shares to be issued	21	**1,045**	1,590
Revaluation reserve	21	**218**	218
Capital redemption reserve	21	**180**	180
Exchange reserve	21	**(281)**	(252)
Capital reserve	21	**257**	257
Profit and Loss account	21	**4,049**	2,734
Total equity shareholders' funds		**15,959**	10,650

These financial statements were approved by the Board on 1 October 1999.

Dr TOM CLARK
Executive Chairman and Managing Director

W WILSON EVANS
Finance Director

Company Balance Sheet

As at 30 June 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	11	**1,258**	1,042
Investments	12	**14,046**	4,928
		15,304	5,970
Current assets			
Debtors: amounts falling due within one year	14	**19,841**	13,969
amounts falling due outwith one year	14	**851**	862
Cash at bank and in hand		**30**	46
		20,722	14,877
Creditors: *amounts falling due within one year*	15	**(15,810)**	(10,119)
Net current assets		**4,912**	4,758
Total assets less current liabilities		**20,216**	10,728
Creditors: amounts falling due outwith one year	16	**(4,955)**	(162)
Net assets		**15,261**	10,566
Capital and reserves			
Called up share capital	20	**993**	874
Share premium account	21	**9,498**	5,049
Shares to be issued	21	**1,045**	1,590
Revaluation reserve	21	**65**	65
Capital redemption reserve	21	**180**	180
Capital reserve	21	**318**	318
Profit and Loss account	21	**3,162**	2,490
Total equity shareholders' funds		**15,261**	10,566

These financial statements were approved by the Board on 1 October 1999.

Dr TOM CLARK
Executive Chairman and Managing Director

W WILSON EVANS
Finance Director

Consolidated Cash Flow Statement

For the year ended 30 June 1999

	Note	**1999 £000**	1998 £000
Net cash (outflow)/inflow from operating activities	26	**(2,349)**	1,689
Returns on investments and servicing of finance	27	**(222)**	(141)
Taxation		**(367)**	(928)
Capital expenditure and financial investment	27	**(576)**	(593)
Acquisitions and disposals	27	**(2,934)**	(1,697)
Equity dividends paid		**(396)**	(328)
Cash outflow before use of liquid resources and financing		**(6,844)**	(1,998)
Financing	27	**3,001**	1,316
Decrease in cash in the year		**(3,843)**	(682)
Reconciliation of net cash flow to movement in net debt	28		
Decrease in cash in the year		**(3,843)**	(682)
Cash outflow from decrease in debt and lease financing		**160**	219
Change in net debt resulting from cash flows		**(3,683)**	(463)
New finance leases		**(42)**	–
Finance leases acquired with subsidiaries		**(59)**	(32)
Translation difference		**(29)**	(214)
Movement in net funds in the year		**(3,813)**	(709)
Net cash at 30 June 1998		**113**	822
Net (debt)/cash at 30 June 1999		**(3,700)**	113

Reconciliation of Movements Shareholders' Funds

For the year ended 30 June 1999

	Group 1999 £000	Restated Group 1998 £000
Profit for the financial year – as previously stated	**1,806**	1,599
Prior year adjustment (note 1)	**–**	(124)
Profit for the financial year – as restated	**1,806**	1,475
Dividends	**(491)**	(349)
	1,315	1,126
Shares issued in year	**119**	96
Premium on shares issued	**4,688**	2,782
Expenses and cost of shares issued	**(239)**	(217)
Increase in shares to be issued	**250**	1,590
Realisation of shares to be issued	**(795)**	–
Other recognised gains and losses for the year (net)	**(29)**	(61)
Total movement during the year	**5,309**	5,316
Opening Shareholders' funds		
As previously stated	**7,049**	–
Prior period adjustment (note 1)	**3,601**	–
As restated	**10,650**	5,334
Closing Shareholders' funds	**15,959**	10,650

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied, are set out below:

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for freehold land and buildings which are included at valuation.

Basis of consolidation
The Group financial statements consolidate the accounts of Semple Cochrane PLC and its subsidiary undertakings drawn up to 30 June each year. No profit and loss account is presented for Semple Cochrane PLC as permitted by section 230 of the Companies Act 1985. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which existed at the date of acquisition were recorded at their fair values reflecting their condition at that date.

Goodwill and prior year adjustment
Goodwill arising on acquisitions during 1999 has been capitalised in the balance sheet in accordance with Financial Reporting Standard 10 ("FRS 10") – Goodwill and Intangible Assets. Amortisation of goodwill is provided on a straight line basis over a period of 20 years, which, in the opinion of the Directors is a period not exceeding the economic useful life of the assets.

Goodwill eliminated against reserves in prior periods and shown as a separate goodwill write off reserve has been reinstated and amortised in accordance with FRS 10. The Standard allows for goodwill previously written off to be recognised as an asset. This has given rise to a prior period adjustment capitalising goodwill of £3,725,000 with a resultant amortisation charge of £124,000.

Depreciation
Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their estimated useful lives. The rates generally applicable are:

Land and Buildings	2% straight line (buildings only)
Leasehold Improvements	Over remaining term of lease
Office Equipment	20% reducing balance
Motor Vehicles	25% reducing balance
Plant and Machinery	20% reducing balance

Leases and hire purchase contracts
Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

Investments
Investments are included at cost less amounts written off.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of 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 included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end by recording turnover and related costs 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. Revenues derived from variations on contracts are recognised only when the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Contributions to pension funds
The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Capital instruments
Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity minority interests and debt according to their form.

Deferred taxation
Deferred taxation is provided at the relevant tax rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign Currencies

Company
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 foreign currency exchange differences are dealt with through the profit and loss account.

Group
The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amount derived from the provision of goods and services which fall within the Group's ordinary activities, principally within the United Kingdom, stated net of value added tax.

	1999	1998
	£000	£000
Facilities Managed Maintenance and Development:		
Continuing operations	**13,276**	15,043
Acquisitions	**2,101**	–
Systems Engineering:		
Continuing operations	**31,229**	27,049
Acquisitions	**1,327**	–
Building Engineering Services:		
Continuing operations	**8,307**	4,756
Acquisitions	**1,102**	–
	57,342	46,848

Geographical segments	**1999**	1998
	£000	£000
UK	**57,071**	46,537
Asia	**271**	311
	57,342	46,848

No additional information on segmental reporting is given as the Directors believe such disclosure to be prejudicial to the interests of the Group.

Notes to the Financial Statements

3. COST OF SALES, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

	1999 Continuing operations £000	1999 Acquisitions £000	**1999 Total £000**	1998 Total £000
Cost of sales	(46,709)	(2,863)	**(49,572)**	(41,562)
Gross profit	6,103	1,667	**7,770**	5,286
Administrative expenses	(3,530)	(1,008)	**(4,538)**	(2,965)
Goodwill amortisation	(186)	(103)	**(289)**	(124)

4. OPERATING PROFIT

	1999 £000	1998 £000
Operating profit is stated after charging/(crediting):		
Staff costs	**18,771**	15,191
Auditors' remuneration – Group	**90**	45
Fees for non-audit services	**160**	80
Less: Capitalised	**(104)**	(57)
Non-audit fees charged to profit	**56**	23
Auditors' remuneration – Company	**30**	24
Depreciation of tangible fixed assets:		
Owned assets	**322**	159
Assets under finance leases and hire purchase contracts	**27**	15
Operating lease rentals:		
Land and buildings	**273**	27
Others	**479**	44
Loss/(profit) on sale of fixed assets	**4**	(2)

5. DIRECTORS AND EMPLOYEES

	1999 £000	1998 £000
Staff costs including Directors' emoluments:		
Wages and salaries	**18,625**	15,071
Pension costs	**146**	120
	18,771	15,191
	Number	Number
Average number employed including Executive Directors:		
Operatives	**865**	662
Administration staff	**91**	58
	956	720
	£000	£000
(a) Directors' emoluments		
Fees and other emoluments (including pension scheme contributions)	**731**	740

5. DIRECTORS AND EMPLOYEES (continued)

(b) The Directors' interests, other than share options, (including their families' interests) in the ordinary shares of the Company were as follows:

	30 June 1999 *Number of* **Ordinary Shares** **Beneficial**	**Non-beneficial**	30 June 1998 *Number of* Ordinary Shares Beneficial	Non-beneficial
Dr Tom A Clark	**202,111**	**654,000**	181,012	654,000
John E McKee (Retired 15/03/99)	–	–	739,558	–
W Wilson Evans	**12,500**	–	11,000	–
Gerry Hughes	**90,801**	–	80,801	–
Steve J Avery	**2,806**	–	2,806	–
John M Brady	**1,500**	–	–	–
Alexander Matheson (Appointed 08/04/99)	**173,376**	–	–	–
Robert T Beaty (Resigned 29/07/99)	**5,556**	–	5,556	–
M N Chapman (Resigned 29/07/99)	**600**	–	–	–

There have been no changes to the Director's shareholdings or share options since 30 June 1999.

Disclosure of individual Directors' remuneration, Directors' share options and pension entitlements required by the *Companies Act 1985 and those specified for audit by the London Stock Exchange are shown in the Report of the Board to* the Shareholders on Directors' Remuneration between pages 19 and 21 and form part of these financial statements.

6. INTEREST

	1999	1998
	£000	£000
Bank loan and overdraft interest	**233**	140
Hire purchase and finance lease interest	**10**	6
	243	146
Bank interest receivable	**(21)**	(5)
	222	141

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£000	£000
Corporation tax on profit on ordinary activities at 31% (1998 – 31%)		
Current year	**901**	675
Over provision in prior years	–	(94)
	901	581

Notes to the Financial Statements

8. DIVIDENDS		**1999**	1998
		£000	£000
Ordinary dividend – paid	1.63p (1998 – 1.33p)	**162**	116
– proposed	3.27p (1998 – 2.67p)	**329**	233
	4.90p (1998 – 4.00p)	**491**	349

A final dividend of 3.27p per share will be paid on 27 November 1999 to shareholders on the register at the close of business on 22 October 1999.

9. EARNINGS PER SHARE

After goodwill amortisation

Basic earnings per ordinary share after goodwill amortisation is calculated by dividing the profit after taxation and minority interest of £1,806,000 (1998 – £1,475,000) by the weighted average number of ordinary shares in issue of 9,044,205 (1998 – 8,416,005).

The diluted earnings per ordinary share after goodwill amortisation has been calculated using the same earnings as the basic earnings per ordinary share after goodwill amortisation. The number of ordinary shares of 9,209,913 (1998 – 8,536,782) is calculated below.

Before goodwill amortisation

Basic earnings per ordinary share before goodwill amortisation is calculated by dividing the profit after taxation and minority interest of £1,806,000 (1998 – £1,475,000) plus goodwill amortisation of £289,000 (1998 – £124,000) by the weighted average number of ordinary shares in issue of 9,044,205 (1998 – 8,416,005).

The diluted earnings per ordinary share before goodwill amortisation has been calculated using the same earnings as the basic earnings per ordinary share before goodwill amortisation. The number of ordinary shares of 9,209,913 (1998 – 8,536,782) is calculated below.

	1999	1998
Basic weighted average number of shares	**9,044,205**	8,416,005
Dilutive potential ordinary shares:		
Shares reserved for C&C Electrical Engineering Ltd vendors	**58,180**	–
Employee share options	**60,311**	60,577
Executive share options	**47,217**	60,200
	9,209,913	8,536,782

Earnings per share before goodwill amortisation is presented as the Directors believe this information is relevant to the shareholders.

10. INTANGIBLE ASSETS: GOODWILL

Group

Cost	£000
1 July 1998 – restated	3,725
Acquisitions during the year	7,410
30 June 1999	11,135
Amortisation	
1 July 1998 – restated	124
Charge for year	289
30 June 1999	413
Net Book Value	
30 June 1999	**10,722**
30 June 1998	3,601

11. TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings	Leasehold Improvements	Office Equipment	Motor Vehicles	Plant and Machinery	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
1 July 1998	541	283	529	274	1,512	3,139
Additions	73	169	439	32	94	807
Acquisitions	197	25	101	689	731	1,743
Disposals	–	–	(177)	(23)	–	(200)
30 June 1999	**811**	**477**	**892**	**972**	**2,337**	**5,489**
Depreciation						
1 July 1998	40	21	208	192	993	1,454
Acquisitions	–	11	58	408	482	959
Charge for year	11	61	81	52	144	349
Disposals	–	–	–	(7)	–	(7)
30 June 1999	**51**	**93**	**347**	**645**	**1,619**	**2,755**
Net Book Value						
30 June 1999	***760***	***384***	***545***	***327***	***718***	***2,734***
30 June 1998	501	262	321	82	519	1,685

The net book value of assets held under finance lease and hire purchase contracts is £185,044 (1998 – £65,991).

On 17 April 1998 Plant and Machinery, Office Equipment and Motor Vehicles at Forth Estuary Engineering Ltd and its *subsidiaries were revalued by Shirlaw Allan, on an Open Market basis.*

Company	Freehold Land and Buildings	Leasehold Improvements	Office Equipment	Motor Vehicles	Plant and Machinery	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
1 July 1998	498	277	290	54	352	1,471
Additions	73	49	403	–	1	526
Disposals	–	–	(177)	(13)	–	(190)
30 June 1999	**571**	**326**	**516**	**41**	**353**	**1,807**
Depreciation						
1 July 1998	31	19	99	36	244	429
Charge for year	11	42	48	3	22	126
Disposals	–	–	–	(6)	–	(6)
30 June 1999	**42**	**61**	**147**	**33**	**266**	**549**
Net Book Value						
30 June 1999	**529**	**265**	**369**	**8**	**87**	**1,258**
30 June 1998	467	258	191	18	108	1,042

The net book value of assets held under finance lease and hire purchase contracts is £19,193 (1998 – £39,164).

Notes to the Financial Statements

12. FIXED ASSET INVESTMENTS

(a) Company

Investment in subsidiary undertakings:

	Shares at cost £000	Provision for diminution in value £000	Net book value £000
At 1 July 1998	4,990	(62)	4,928
Acquisitions	9,118	–	9,118
At 30 June 1999	**14,108**	**(62)**	**14,046**

The additions to investments during the year are in respect of MCM Power Management Ltd, Acumen Management Ltd, Semple DHE Ltd, HPC Ltd and C&C Electrical Engineering Ltd. All acquisitions have been accounted for by the acquisition method of accounting.

(b) Semple Cochrane PLC is the holding company of the Group and details of the subsidiaries and subsidiary undertakings are detailed in note 30.

(c) Acquisitions

(i) Combined

	Book Value £000	Provisional Fair Value Adjustments £000	**1999 Provisional Fair Value to the Group £000**	1998 Fair Value to the Group £000
Tangible Fixed Assets	784	–	**784**	410
Stock/WIP	50	–	**50**	699
Debtors	2,290	(75)	**2,215**	1,082
Cash	665	–	**665**	144
Creditors	(1,955)	66	**(1,889)**	(1,045)
Taxation	(17)	52	**35**	(276)
HP and Finance Lease obligations	(59)	–	**(59)**	(32)
	1,758	43	**1,801**	982
Goodwill			**7,410**	3,725
			9,211	4,707
Satisfied by				
Cash			**2,450**	1,674
Shares allotted			**1,300**	1,126
Deferred consideration			–	1,740
Deferred Loan Notes			**1,000**	–
Contingent Loan Notes			**3,900**	–
Related cost of Acquisition			**561**	167
			9,211	4,707

The Fair Value table in the year to 30 June 1998 relates to the acquisition of the entire issued share capital of Forth Estuary Engineering Ltd and its subsidiaries, the entire issued share capital of Garvel Clyde Ltd and the remaining 50% of the issued share capital of Midland Ship Repairs Ltd.

The Directors have assessed the fair values on a provisional basis as the acquisitions were completed in the last quarter of the financial year.

All of the provisional fair value adjustments have been made to align the acquirees accounting policies to those of the Group.

12. FIXED ASSET INVESTMENTS (continued)

(ii) HPC Ltd

	Book Value £000	Provisional Fair Value Adjustments £000	**1999 Provisional Fair Value to the Group £000**
Tangible Fixed Assets	582	–	**582**
Stock/WIP	10	–	**10**
Debtors	464	–	**464**
Cash	634	–	**634**
Creditors	(659)	156	**(503)**
Taxation	21	–	**21**
HP and Finance Lease obligations	(24)	–	**(24)**
	1,028	156	**1,184**
Goodwill			**4,085**
			5,269

Satisfied by	
Cash	**1,250**
Shares allotted	**1,050**
Deferred Loan Notes	**1,000**
Contingent Loan Notes	**1,700**
Related cost of Acquisition	**269**
	5,269

On 8 April 1999 the Company acquired the entire issued share capital of HPC Limited (HPC) for a maximum consideration of £5,000,000 satisfied by a mixture of ordinary shares, cash, deferred loan notes and contingent loan notes. £1,700,000 of the consideration is contingent on the profit after tax of HPC for the 12 month period from 16 March 1999 to 15 March 2000 and therefore has not yet been finally determined. The maximum consideration of £5,000,000 has been provided in these accounts, this being the best current estimate of the amount which will be payable. The purchase of HPC has been accounted for by the acquisition method of accounting.

HPC contributed net operating inflows of £31,000 for the Group, inflows of £7,000 in respect of returns on investments and the servicing of finance, outflows of £8,000 in respect of capital expenditure and financial investment, and outflows of £5,000 in respect of financing.

The last audited financial statements of HPC were prepared for the year ended 30 April 1998 and showed a profit after taxation of £649,000. The unaudited summarised profit and loss account for the 11 months ended 8 April 1999, the effective date of the acquisition, is set out below.

	£000
Turnover	4,044
Operating Profit	870
Profit before tax	928
Tax charge	(275)
Profit after tax	653

There were no recognised gains and losses in the 11 months ended 8 April 1999 other than the profit of £653,000 above.

Goodwill arising on the acquisition of HPC has been capitalised and is being amortised over the estimated useful economic life to a maximum of 20 years. The investment in HPC has been included in the Company's balance sheet at its fair value at the date of acquisition.

Notes to the Financial Statements

12. FIXED ASSET INVESTMENTS (continued)

(iii) C&C Electrical Engineering Limited

	Book Value £000	Provisional Fair Value Adjustments £000	**1999 Provisional Fair Value to the Group £000**
Tangible Fixed Assets	155	–	**155**
Stock/WIP	11	–	**11**
Debtors	1,645	(75)	**1,570**
Cash	35	–	**35**
Creditors	(1,208)	(90)	**(1,298)**
Taxation	(31)	52	**21**
HP and Finance Lease obligations	(6)	–	**(6)**
	601	(113)	**488**
Goodwill			**3,059**
			3,547
Satisfied by			
Cash			**850**
Shares allotted			**250**
Contingent Loan Notes			**2,200**
Related cost of Acquisition			**247**
			3,547

On 8 April 1999 the Company acquired 90% of the entire issued share capital, which comprise 100% of the equity shares, of Macrocom (530) Ltd, which in turn owns the entire issued share capital of C&C Electrical Engineering Ltd (C&C), for a maximum aggregate consideration of £3,300,000 satisfied by a mixture of ordinary shares, cash and contingent loan notes. £2,200,000 of the consideration is contingent on the average profit after tax of C&C for a 24 month period from 8 April 1999 and therefore has not yet been fully determined. The maximum consideration of £3,300,000 has been provided in these accounts, this being the best current estimate of the amount which will be payable. The combination of the two Groups has been accounted for by the acquisition method of accounting and Semple Cochrane PLC are entitled to consolidate 100% of the profits of the acquired Group.

C&C contributed net operating outflows of £51,000 for the Group, outflows of £2,000 in respect of returns on investments and the servicing of finance, inflows of £3,000 in respect of taxation, outflows of £6,000 in respect of capital expenditure and financial investment and inflows of £13,000 in respect of financing.

The last audited financial statements of C&C were prepared for the year ended 31 October 1998 and showed a profit after taxation of £205,778. The unaudited summarised profit and loss account for the 5 months ended 8 April 1999, the effective date of the acquisition, is set out below.

	£000
Turnover	1,713
Operating Loss	(27)
Loss before tax	(38)
Tax charge	24
Loss after tax	(14)

There were no recognised gains and losses in the 5 months ended 8 April 1999 other than the loss of £14,000 above.

Goodwill arising on the acquisition of C&C has been capitalised and is being amortised over the estimated useful economic life to a maximum of 20 years. The investment in C&C has been included in the Company's balance sheet at its fair value at the date of acquisition.

12. FIXED ASSET INVESTMENTS (continued)

(iv) Other Acquisitions during the year

	Book Value £000	*Provisional* Fair Value Adjustments £000	**1999 Provisional Fair Value to the Group £000**
Tangible Fixed Assets	47	–	**47**
Stock/WIP	29	–	**29**
Debtors	181	–	**181**
Overdraft	(4)	–	**(4)**
Creditors	(88)	–	**(88)**
Taxation	(7)	–	**(7)**
HP and Finance Lease obligations	(29)	–	**(29)**
	129	–	**129**
Goodwill			**266**
			395
Satisfied by			
Cash			**350**
Acquisition costs			**45**
			395

On 15 July 1998 the Company purchased the entire issued share capital of Acumen Management Limited for a consideration of £200,000 paid in cash. On 5 November 1998 the Company invested £7,500 in Semple DHE Limited resulting in a 75% shareholding. On 25 November 1998 the Company purchased the entire issued share capital of MCM Power Management Limited for £54,000 payable in cash. On 17 March 1999 Forth Estuary Engineering Ltd, a wholly owned subsidiary of Semple Cochrane PLC, purchased the remaining 40% of the shares in Opal Marine & Engineering Ltd, for a consideration of £56,500. On 30 March 1999 Forth Estuary Engineering Ltd purchased the entire issued share capital of Riverdell Limited for a consideration of £32,000.

13. STOCKS

	***Group* 1999 £000**	*Group* 1998 £000	***Company* 1999 £000**	*Company* 1998 £000
Raw materials	**452**	190	–	–
Work in progress	**189**	21	–	–
	641	211	–	–

Notes to the Financial Statements

14. DEBTORS

	Group 1999 £000	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
Amounts recoverable on long term contracts	**9,894**	6,657	**8,645**	6,177
Trade debtors	**15,081**	9,225	**10,899**	8,073
Other debtors and prepayments	**1,084**	323	**867**	27
ACT recoverable	–	586	–	386
Amounts due by subsidiary undertakings	–	–	**281**	168
	26,059	16,791	**20,692**	14,831

Included within amounts recoverable on long term contracts is a balance of £851,000 due outwith one year (1998 – £862,000).

As disclosed in the Placing Document dated 16 March 1999, the Company gave notice in February 1998 that it proposed to refer to arbitration certain disputes arising under a contract in respect of sums owed to the Company. The Company believes it has a contractual entitlement under this contract, including claims and variations as defined by SSAP 9, of £9.7m. To date, the customer has paid or agreed a total of £7.0m. No arbitration proceedings have commenced, as negotiations between the parties are ongoing and resolution of the many individual contractual matters is being achieved, albeit at a slow pace.

The Directors have not changed their view of the financial outcome of this contract from that taken last year, or at the time of the issue of the Placing Document. They remain confident of a satisfactory outcome to this matter, and that the values finally agreed will not be substantially at variance from those included in the financial statements for each year. Until the negotiations are completed, it is not possible to estimate, with any reasonable degree of certainty, whether or not adjustments are required to the figures included in the financial statements for Turnover, Profits before and after taxation, and Amounts Recoverable on contracts.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1999 £000	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
Bank overdrafts	**4,762**	240	**3,901**	–
Bank loans	**248**	282	**110**	106
Payments on account in respect of long term contracts	**2,046**	1,331	**1,683**	1,331
Trade creditors	**9,230**	6,581	**7,337**	5,575
Corporation tax	**772**	671	**422**	554
Other taxation and social security	**1,645**	1,510	**1,112**	1,314
Accruals and deferred income	**1,555**	1,237	**913**	793
ACT payable	–	188	–	188
Obligations under finance leases and hire purchase contracts	**57**	37	**4**	25
Dividends payable	**328**	233	**328**	233
	20,643	12,310	**15,810**	10,119

The bank overdrafts and loans are secured by a floating charge over the assets of the Group. Performance bonds exist between the Company and various third parties under normal contractual terms. Obligations under finance lease and hire purchase contracts are secured by the related assets.

16. CREDITORS: AMOUNTS FALLING DUE OUTWITH ONE YEAR

	Group 1999 £000	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
Deferred loan notes	**1,000**	–	**1,000**	–
Contingent loan notes	**3,900**	–	**3,900**	–
Bank loans	**55**	157	**55**	157
Obligations under finance lease and hire purchase contracts	**62**	5	–	5
	5,017	162	**4,955**	162

The loan notes relate to the deferred and contingent consideration on the acquisitions of C&C Electrical Engineering Limited and HPC Limited during the year. Details of the acquisitions are given in note 12. The loan notes are bank guaranteed. The loan notes in relation to the contingent consideration have not been issued as at 30 June 1999 and have not been discounted in accordance with FRS7 – Fair Values in Acquisition Accounting as the Directors do not believe this to be material. The terms of repayment and interest rates relating to each loan note are as follows:

C&C – The contingent sum of £2,200,000 is repayable on 30 September 2004. Interest is payable commencing 24 months from the date of acquisition and then falls quarterly in arrears at a rate of 6% per annum for the first 12 months; 5.5% per annum for the second 12 months; and 5% per annum for the remaining period up to 30 September 2004.

HPC – The deferred sum of £1,000,000 and the contingent sum of £1,700,000 are repayable at par on the eleventh anniversary of the date of issue. Interest is payable on the deferred consideration from the date of acquisition at a rate of 8% per annum quarterly in arrears. Interest is payable on the contingent consideration commencing 12 months from the date of acquisition and then falls quarterly in arrears at a rate of 8% per annum.

Bank overdrafts, loans and loan notes are repayable as follows:	**Group 1999 £000**	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
In one year or less, or on demand	**5,010**	522	**4,011**	106
Between one and two years	**55**	105	**55**	105
Between two and five years	–	52	–	52
After more than five years	**4,900**	–	**4,900**	–
	9,965	679	**8,966**	263

Obligations under finance lease and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

In the next year	**57**	37	**4**	25
In the second to fifth year	**62**	5	–	5
	119	42	**4**	30

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS

The Group's policies as regards financial instruments are set out in the Corporate Governance Report on pages 16 to 18 of these financial statements. The Group does not trade in financial instruments. Short-term debtors and creditors have been omitted from all disclosures.

(a) Maturity profile of financial instruments
The maturity analysis of the Group financial liabilities are given in note 16.

(b) Interest rate profile
Bank overdraft interest is charged at a rate of 1.15% over Clydesdale Bank Plc base rate.
Bank loan interest is charged at 1.15% over Clydesdale Bank Plc base rate.
Guaranteed loan notes bear interest at rates stated in note 16 of these accounts.

(c) Fair value of financial assets and liabilities

	1999		1998	
Primary financial instruments held or issued to finance the Group's operations	**Carrying amount £000**	**Estimated fair value £000**	Carrying amount £000	Estimated fair value £000
Cash at bank, in hand and other liquid investments	**1,484**	**1,484**	834	834
Gross financial assets	**1,484**	**1,484**	834	834
Bank borrowings	**5,065**	**5,065**	679	679
Loan notes	**4,900**	**4,277**	–	–
Gross financial liabilities	**9,965**	**9,342**	679	679

The estimated fair values have been determined by discounting expected cashflows at prevailing interest rates at the year end.

The unutilised Group overdraft facility at 30 June 1999 was £4,222,000 and is repayable on demand, (1998 – £5,000,000).

Weighted average period of fixed interest rates is 7.7 years (1998 – 3 years). The weighted average interest rate is 6.5% (1998 – 8.65%).

The only currency exposure of the Group is with the subsidiary company denominated in Thai bahts. The total intercompany loan at 30 June 1999 is £281,000.

18. DEFERRED TAXATION

The potential unprovided liability for deferred taxation resulting from accelerated capital allowances was £40,000 at 30 June 1999 (1998 – nil).

19. MINORITY INTERESTS

The equity minority interest comprises 2,500 £1 ordinary shares in Semple DHE Limited and 500 £1 ordinary shares in Thomas Patterson (Cardiff) Limited.

20. CALLED UP SHARE CAPITAL

Group and Company	**1999 £000**	1998 £000
Authorised		
Ordinary shares of 10p each	**1,400**	1,300
Allotted, called up and fully paid		
Ordinary shares of 10p each	**993**	874

Details of share options are disclosed within the Report of the Board to the Shareholders on Directors' Remuneration on pages 19 to 21.

On 8 April 1999 pursuant to resolutions passed by the Company, it was resolved that the authorised share capital of the Company be increased to £1,400,000 by the creation of 1,000,000 ordinary shares of 10p each.

Notes to the Financial Statements

27. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	**21**	5
Interest paid	**(233)**	(140)
Interest element of hire purchase and finance lease rentals	**(10)**	(6)
Net cash outflow for returns on investments and servicing of finance	**(222)**	(141)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(765)**	(645)
Sale of tangible fixed assets	**189**	52
Net cash outflow for capital expenditure and financial investment	**(576)**	(593)
Acquisitions and disposals		
Purchase of subsidiary undertakings	**(3,011)**	(1,841)
Net cash acquired with subsidiary undertakings	**665**	144
Purchase of subsidiary undertakings – Deferred consideration	**(588)**	–
Net cash outflow on acquisitions and disposals	**(2,934)**	(1,697)
Financing		
Issue of ordinary share capital	**3,400**	1,752
Costs of share issue	**(239)**	(217)
Debt due within one year:		
Repayment of secured loan	**(34)**	(187)
Debt due outwith a year:		
Capital element of hire purchase and finance lease payments	**(24)**	(32)
Repayment of secured loan	**(102)**	–
Net cash inflow from financing	**3,001**	1,316

28. ANALYSIS OF NET DEBT

	At 1 July 1998 £000	*Cash flow* £000	*Acquisitions* £000	Non-cash *movements* £000	Exchange *differences* £000	**At 30 June 1999 £000**
Cash in hand, at bank	834					**1,484**
Overdrafts	(240)					**(4,762)**
	594	(4,508)	665	–	(29)	**(3,278)**
Debt due within 1 year	(282)	34	–	–	–	**(248)**
Debt due outwith 1 year	(157)	102	–	–	–	**(55)**
Hire purchase and finance leases	(42)	24	(59)	(42)	–	**(119)**
	(481)	160	(59)	(42)	–	**(422)**
TOTAL	113	(4,348)	606	(42)	(29)	**(3,700)**

Notes to the Financial Statements

29. POST BALANCE SHEET EVENTS

On 4 August 1999 the Company acquired the entire issued share capital of Advanced Computer Installations Limited (ACI), a UK Systems Integrator business engaged in the design, supply and installation of data and voice structured cabling services and the supply, maintenance and configuration of integrated network products.

The maximum consideration payable for the acquisition of ACI is £2.244 million with the initial consideration of £1.8 million satisfied as to £1.34 million in cash, £100K by the issue of loan notes and the balance of £360K by the issue of 94,166 shares in Semple Cochrane PLC. In addition, a maximum further consideration of £444,000 is payable dependent on the profit before taxation of ACI for the two financial periods ended 31 July 2001.

30. LIST OF PRINCIPAL AND SUBSIDIARY UNDERTAKINGS AS AT 30 JUNE 1999 ARE AS FOLLOWS:

Name	**Principal activity**	**Country of incorporation**	**Ordinary share capital issued and fully paid**	**Proportion of nominal value of issued shares held by the Company**
Semple Cochrane (Asia) Co. Ltd	Systems Engineering	Thailand	Bt 10 million	100%
Garvel Clyde Ltd	Ship Repairing	Scotland	£15,000	100%
Forth Estuary Engineering Ltd	Ship Repairing	Scotland	£18,000	100%
HPC Ltd	Overhead energy transmission and distribution systems	Scotland	£500	100%
MCM Power Management Ltd	Electrical Contractor	Scotland	£15,000	100%
Acumen Management Ltd	Accounting, IT & Acquisition related Services	Scotland	£5,000	100%
Semple DHE Ltd	Installation of Electrical works	Scotland	£10,000	75%
Semple & Cochrane Systems Ltd	Dormant	England	£100	100%
Semple & Cochrane (Aberdeen) Ltd	Dormant	Scotland	£100	100%
TV 2000 Ltd	Dormant	Scotland	£40,000	100%
Macrocom (530) Ltd	Dormant	Scotland	£100	90%
Eurosat Distribution (Scotland) Ltd [1]	Wholesale of Satellite TV, CCTV and Security production	Scotland	£10,000	100%
Eurosat Distribution (Ireland) Ltd [1]	Dormant	Scotland	£2	100%
Firth Painters Ltd [2]	Coating & protection of marine structures	Scotland	£840	100%
Marine Propeller Services Ltd [2]	Supply and repair of propellers	Scotland	£90	100%
Port Electrical Services Ltd [2]	Repair of electrical equipment	Scotland	£1,000	100%
Scott Reuter Ltd [2]	Marine related joinery contracting	Scotland	£50,200	100%
Opal Marine & Engineering Ltd [2]	Ship Repairing	England	£500	100%
Riverdell Ltd [2]	Ship Repairing	England	£100	100%
Semple & Cochrane (M) Sdn. Bhd [3]	Dormant	Malaysia	M$2	100%
Penzance Shipyard Ltd [4]	Ship Repairing	Scotland	£2	100%
Thomas Patterson (Cardiff) Ltd [5]	Electrical Engineering Support Services	England	£1,000	50%
C&C Electrical Engineering Ltd [6]	Electrical Engineering support systems	England	£200,000	90%
Midland Ship Repairs Ltd [7]	Ship Repairing	Scotland	£500	100%

[1] The shareholdings in these companies are held by TV 2000 Ltd
[2] The shareholdings in these companies are held by Forth Estuary Engineering Ltd
[3] The shareholding in this company is held by Semple Cochrane (Asia) Co. Ltd
[4] The shareholding in this company is held by Garvel Clyde Ltd
[5] The shareholding in this company is held by C&C Electrical Engineering Ltd
[6] The shareholding in this company is held by Macrocom (530) Ltd
[7] The shareholding in this company is held by Firth Painters Ltd.

Semple Cochrane hold 100% of the voting rights of the above companies with the exception of Semple DHE (75%) and Thomas Patterson (Cardiff) Ltd (50%).

Notes to the Financial Statements

23. OPERATING LEASE COMMITMENTS

The Group has annual commitments payable in the year to 30 June 2000 under operating leases as follows:

	Land and Buildings £000	Other £000
Leases expiring:		
Within one year	94	80
In one to five years	57	397
After five years	132	–
	283	477

24. RELATED PARTY TRANSACTIONS

On 15 July 1998 the Company purchased the entire issued share capital of Acumen Management Limited for a consideration of £200,000 payable in cash. W W Evans a Director of Semple Cochrane PLC is also a Director and shareholder of Acumen Management Limited. W W Evans received 50% of the consideration.

25. PENSION SCHEME

The Group operates a defined contribution pension scheme for Directors and employees.

The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions made to the scheme during the year amounted to £146,000 (1998 – £120,000). There were no contributions payable to the scheme at 30 June 1999 (1998 – £nil).

26. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS

	1999 £000	Restated 1998 £000
Operating profit	**2,943**	2,197
Depreciation charges	**349**	174
Amortisation of goodwill	**289**	124
Loss/(profit) on sale of fixed assets	**4**	(2)
(Increase)/decrease in stocks	**(380)**	613
(Increase) in debtors	**(7,639)**	(3,000)
Increase in creditors	**2,085**	1,583
Net cash (outflow)/inflow from operating activities	**(2,349)**	1,689

Notes to the Financial Statements

20. CALLED UP SHARE CAPITAL (continued)

On 1 November 1998, 97,911 ordinary shares of 10p each were issued at a price of £3.64 pursuant to the terms of the first deferred consideration agreements relating to the acquisitions of Forth Estuary Engineering Ltd and its subsidiaries, and Garvel Clyde Ltd.

Under the terms of a placing agreement dated 16 March 1999 between the Company and Williams de Broë Plc, 850,000 ordinary shares were placed at £4.00 per share.

On 8 April 1999, 244,351 ordinary shares were issued at a price of £4.297 per share as part of the initial consideration on the acquisition of HPC.

The above share issues and placing took place in order to finance the acquisitions carried out during the year.

21. RESERVES

	Share Premium Account	Shares to be issued	Revaluation Reserve	Capital Redemption Reserve	Exchange Reserve	Other Reserve	Capital Reserve	Profit and Loss Account
Group	£000	£000	£000	£000	£000	£000	£000	£000
At 1 July 1998	5,049	1,590	218	180	(252)	(3,725)	257	2,858
Prior year adjustment	–	–	–	–	–	3,725	–	(124)
Restated at 1 July 1998	5,049	1,590	218	180	(252)	–	257	2,734
Premium on shares issued during the year	4,688	–	–	–	–	–	–	–
Expenses and costs arising on issue of shares	(239)	–	–	–	–	–	–	–
Foreign exchange revaluation	–	–	–	–	(29)	–	–	–
Shares to be issued	–	250	–	–	–	–	–	–
Reduction in shares to be issued	–	(795)	–	–	–	–	–	–
Retained profit for the year	–	–	–	–	–	–	–	1,315
At 30 June 1999	**9,498**	**1,045**	**218**	**180**	**(281)**	**–**	**257**	**4,049**
Company								
At 1 July 1998	5,049	1,590	65	180	–	–	318	2,490
Premium on shares issued during the year	4,688	–	–	–	–	–	–	–
Expenses and costs arising on issue of shares	(239)	–	–	–	–	–	–	–
Shares to be issued	–	250	–	–	–	–	–	–
Reduction in shares to be issued	–	(795)	–	–	–	–	–	–
Retained profit for the year	–	–	–	–	–	–	–	672
At 30 June 1999	**9,498**	**1,045**	**65**	**180**	**–**	**–**	**318**	**3,162**

dividends was £1,163,000 (1998 – £1,240,000).

AND GUARANTEES

been provided with performance bonds by the Group's bankers. At 30 June 1999 the of such bonds was £2,692,000 (1998 – £1,848,000).

guarantees with other Group companies as part of its banking arrangements. ,000 of net borrowings (1998 – no net borrowings).

Shareholder Information

As at 30 June 1999

	Number of holdings	%	Number of shares held	%
Ordinary shares				
Private Shareholders	494	61.06	2,195,836	22.11
Insurance Companies	1	0.12	2,725	0.03
Investment Trusts	7	0.87	8,584	0.09
Nominee Companies	277	34.24	6,627,698	66.75
Limited Companies	15	1.85	169,023	1.70
Bank and Bank Nominees	13	1.61	899,371	9.06
Other Institutions	2	0.25	25,462	0.26
TOTAL	**809**	**100.00**	**9,928,699**	**100.00**
Size of holding:				
Up to 1,000	444	54.88	228,910	2.30
1,001 to 5,000	258	31.89	594,420	5.99
5,001 to 50,000	74	9.15	1,354,870	13.65
Over 50,000 shares	33	4.08	7,750,499	78.06
TOTAL	**809**	**100.00**	**9,928,699**	**100.00**

Five Year Financial Record

	1999 £000	Restated 1998 £000	1997 £000	1996 £000	1995 £000
TURNOVER	**57,342**	**46,848**	**32,057**	**20,731**	**16,617**
PROFIT					
Operating profit	**2,943**	2,197	1,433	1,013	769
Interest	**(222)**	(141)	(115)	(108)	(120)
Profit before tax	**2,721**	2,056	1,318	905	649
Tax	**(901)**	(581)	(425)	(250)	(238)
Profit after tax	**1,820**	1,475	893	655	411
% PBT to turnover	**4.75**	4.39	4.11	4.36	3.91
CAPITAL EMPLOYED					
Fixed Assets	**13,456**	5,286	701	993	826
Net Current assets	**7,541**	5,526	4,919	1,540	982
Long-term liabilities and deferred income	**(5,017)**	(162)	(286)	(374)	(46)
Minority interest	**(21)**	–	–	–	–
	15,959	10,650	5,334	2,159	1,762
Financed by:					
Equity shareholders' interests	**15,959**	10,650	5,334	1,005	1,662
Non Equity	–	–	–	1,154	100
Share capital and reserves	**15,959**	10,650	5,334	2,159	1,762
BASIC EARNINGS PER SHARE					
Before goodwill amortisation	**23.2p**	19.0p	12.6p	10.7p	6.7p
BASIC EARNINGS PER SHARE					
After goodwill amortisation	**19.9p**	17.5p	12.6p	10.7p	6.7p
DIVIDEND PER SHARE	**4.9p**	4.0p	1.95p	0.9p	1.0p