

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action to be taken, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services Act 1986.

A copy of this document, which comprises listing particulars relating to Semple Cochrane in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in Scotland, for registration in accordance with Section 149 of that Act.

Williams de Broë Plc is a member of The Securities and Futures Authority Limited. In respect of the matters described in this document, Williams de Broë Plc is acting for Semple Cochrane and no one else and will not be responsible to any other person for providing the protections afforded to customers of Williams de Broë Plc or for providing advice on the contents of this document or any matters referred to herein.

The directors of Semple Cochrane, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or otherwise transferred all of your Ordinary Shares in the Company, please forward this document and the accompanying Form of Proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Application has been made to the London Stock Exchange for the New Ordinary Shares to be issued in connection with the Acquisitions and the Placing to be admitted to the Official List. It is expected that listing will become effective and that dealings in the New Ordinary Shares will commence on 31 October 1997.

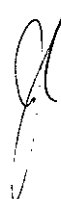
SEMPLÉ COCHRANE PLC

(Incorporated in Scotland with registered no. 32434)

PROPOSED ACQUISITIONS OF GARVEL AND FORTH

PROPOSED PLACING OF 593,220 NEW ORDINARY SHARES

AT 295P PER SHARE



Notice of an Extraordinary General Meeting of Semple Cochrane PLC, to be held at 11.15 a.m. on Thursday, 30 October 1997, is set out at the end of this document. Shareholders are requested to complete the enclosed Form of Proxy in accordance with the instructions thereon and return to the Company's Registrar as soon as possible, and, in any event, to be received no later than 11.15 a.m. on 28 October 1997.



CONTENTS

	<i>Page</i>
Definitions	3
Part I	
Letter from the Chairman of Semple Cochrane	5
Part II	
Accountant's report on Garvel	15
Part III	
Accountant's report on Forth	30
Part IV	
Financial information on Semple Cochrane	43
Part V	
Pro forma statement of combined net assets of the Enlarged Group	62
Part VI	
Summary of the Garvel Acquisition Agreement, the Forth Acquisition Agreement and the Placing Agreement	65
Part VII	
Additional information	69
Notice of Extraordinary General Meeting	94

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for final dividend in respect of year ended 30 June 1997 on existing Ordinary Shares	24 October 1997
Latest time and date for receipt of completed Forms of Proxy for Extraordinary General Meeting	11.15 a.m. on 28 October 1997
Time and date of Annual General Meeting	11.00 a.m. on 30 October 1997
Time and date of Extraordinary General Meeting	11.15 a.m. on 30 October 1997 (or as soon thereafter as the Annual General Meeting of the Company has been concluded or adjourned)
Expected date of commencement of dealings in New Ordinary Shares	31 October 1997
Final dividend payment date in respect of existing Ordinary Shares	28 November 1997

DEFINITIONS



In this document, except where the context otherwise requires, the following expressions have the following meanings:

"the Acquisitions"	the Garvel Acquisition and the Forth Acquisition
"Act"	the Companies Act 1985, as amended
"Annual General Meeting"	the annual general meeting of the Company to be held on 30 October 1997
"Board" or "Directors"	the directors of the Company whose names are listed on page 5 of this document
"City Code"	the City Code on Takeovers and Mergers
"Company" or "Semple Cochrane"	Semple Cochrane PLC
"CREST"	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo Limited
"Enlarged Group"	the Group as enlarged by the acquisitions of Garvel and Forth
"Extraordinary General Meeting"	an extraordinary general meeting of the Company to be held on 30 October 1997, notice of which is set out at the end of this document
"Executive Scheme"	the Semple Cochrane 1996 Executive Share Option Scheme
"Form of Proxy"	the proxy form for use at the Extraordinary General Meeting
"Forth"	Forth Estuary Engineering Limited
"the Forth Acquisition"	the proposed acquisition from the Forth Vendor of the entire issued share capital of Forth
"Forth Acquisition Agreement"	the conditional agreement dated 29 September 1997 relating to the Forth Acquisition, the principal terms of which are summarised in Part VI of this document
"Forth Consideration Shares"	80,801 New Ordinary Shares to be allotted and issued to the Forth Vendor credited as fully paid on completion of the Forth Acquisition at an effective price of 309.4p per share
"the Forth Group"	Forth and its subsidiary undertakings
"the Forth Vendor"	Forth Estuary Engineering (Holdings) Limited, a company wholly owned by G J Hughes and F M D Brooshooft



DEFINITIONS

"Garvel"	Garvel Clyde Limited
"the Garvel Acquisition"	the proposed acquisition from the Garvel Vendors of the entire issued share capital of Garvel
"Garvel Acquisition Agreement"	the conditional agreement dated 29 September 1997 relating to the Garvel Acquisition, the principal terms of which are summarised in Part VI of this document
"Garvel Consideration Shares"	282,967 New Ordinary Shares to be allotted and issued to the Garvel Vendors credited as fully paid on completion of the Garvel Acquisition at an effective price of 309.4p per share
"the Garvel Vendors"	T A Clark, I D McKendrick, J E McKee, L Delaney and W L Sinclair
"the Group" or "Semple Cochrane Group"	the Company and its subsidiary undertakings prior to the acquisitions of Garvel and Forth
"London Stock Exchange"	London Stock Exchange Limited
"New Ordinary Shares"	the 956,988 new Ordinary Shares in the Company, comprising the Garvel Consideration Shares, the Forth Consideration Shares and the Placing Shares
"Official List"	the Official List of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"the Placing"	the placing by Williams de Broë on behalf of the Company of the Placing Shares at a price of 295p per share
"Placing Shares"	593,220 New Ordinary Shares proposed to be issued for cash pursuant to the Placing
"SAYE Scheme"	the Semple Cochrane 1996 Savings Related Share Option Scheme
"Shareholders"	holders of Ordinary Shares
"Takeover Panel"	the Panel on Takeovers and Mergers
"Williams de Broë"	Williams de Broë Plc

PART I
LETTER FROM THE CHAIRMAN



SEMPLE COCHRANE PLC

(Registered in Scotland No. 32434)

Directors

Thomas Andrew Clark (Executive Chairman and Managing Director)

Ian Dempster McKendrick (Deputy Managing Director)

John Eaglesham McKee (Executive Director)

William Wilson Evans (Finance Director)

Professor Robert Thompson Beaty (Non-executive Director)

Daniel Whitelaw Wright (Non-executive Director)

Head office:

14 William Street

Paisley

PA1 2NA

6 October 1997

To Shareholders and, for information only, to holders of options under the Executive Scheme

Dear Shareholder

Proposed Acquisitions of Garvel and Forth
Proposed Placing of 593,220 New Ordinary Shares

Introduction

Your Board announced on 29 September 1997 that the Company had conditionally agreed to purchase the entire issued share capitals of each of Garvel and Forth, for a total consideration, in the case of Garvel, of £1,890,000, and, in the case of Forth, £2,450,000. Both Garvel and Forth provide engineering support and dockyard facilities and operate primarily in the marine industry. The purpose of this document is to provide you with details of the background to, and reasons for, the Acquisitions and the Placing, and to explain why the Directors believe that the Acquisitions are in the best interests of the Company and its Shareholders.

The initial consideration for the Garvel Acquisition is £1,250,000, comprising £374,500 payable in cash and £875,500, to be satisfied by the issue of the Garvel Consideration Shares. In addition, further consideration of £640,000 is payable in two equal tranches on the first and second anniversaries of completion. The further consideration may be satisfied by the issue of Ordinary Shares or in cash, at the Company's option. Further details of the Garvel Acquisition Agreement are set out in Part VI of this document.

The initial consideration for the Forth Acquisition is £1,350,000, comprising £1,100,000 payable in cash and £250,000, to be satisfied by the issue of the Forth Consideration Shares. In addition, further consideration of £1,100,000 is payable in two tranches as to £625,000 on the first anniversary of completion and £475,000 on the second anniversary of completion. The further consideration will be satisfied as to £150,000 in cash, and the balance may be satisfied by the issue of Ordinary Shares or in cash, at the Company's option. Prior to completion of the Forth Acquisition, Forth will declare and pay a dividend of £1,720,000 to the Forth Vendor, as to £300,000 in cash, with the balance of £1,420,000 in settlement of an inter company debt due to Forth by the Forth Vendor. Further details of the Forth Acquisition Agreement are set out in Part VI of this document.



LETTER FROM THE CHAIRMAN

The cash elements of the initial consideration for the Acquisitions will be financed from the proceeds of the Placing.

In view of the size of the Forth Acquisition in relation to the Company, it requires the prior approval of Shareholders in general meeting. In addition, I, and two other executive directors, Ian McKendrick and John McKee, are interested, respectively, in 24 per cent., 19 per cent. and 19 per cent. of the issued share capital of Garvel and I am also a director of Garvel. In view of these interests, Mr McKendrick, Mr McKee and I are related parties, as defined in the Listing Rules of the London Stock Exchange, with regard to the Garvel Acquisition. Accordingly, we have taken no part in the Board's deliberations regarding the Garvel Acquisition which, in view of our interest in Garvel and its size in relation to the Company, also requires the consent of Shareholders. As related parties, we have each agreed to abstain from voting on Resolution 2 contained in the notice of the Extraordinary General Meeting in respect of our aggregate interest in 38 per cent. of the existing issued share capital of the Company, and have taken all reasonable steps to ensure that our respective associates will abstain from voting on this Resolution. Immediately following the Acquisitions and the Placing, the aggregate number of Ordinary Shares held by such Directors will increase to 3,114,931.

The Acquisitions are each conditional on, *inter alia*, the approval by Shareholders of Resolutions 2 and 3 at the Extraordinary General Meeting, the notice for which is set out at the end of this document and which is being convened for this purpose on 30 October 1997 at 11.15 a.m. at Paisley and District Chamber of Commerce, St. Andrews Drive, Glasgow International Airport. The approval of Shareholders will also be sought for the various related matters set out under "Extraordinary General Meeting" below.

Background to and reasons for the Acquisitions

The Company has eighteen years proven experience and success in providing engineering based support services to industry and government. At the time of the Company's flotation in December 1996, the Board stated its view that, to enhance further Semple Cochrane's range of engineering based support services, the Company would, where appropriate, acquire businesses with associated skills and technologies.

Since the beginning of 1997, your Board has been targeting carefully selected acquisitions of complementary businesses.

The Board considers that the Acquisitions are in line with this strategy, with both Garvel and the Forth Group involved in ship overhaul, repair, conversion, survey and related services. A key feature in attracting work of this nature is the availability of dockyard support facilities. The Acquisitions will bring to the Enlarged Group three dry docks, two slipways and extensive support facilities, located on the west and east coasts of Scotland, together with a workshop base at Hull, in the north of England. The Directors believe that the combination of the facilities of Garvel and Forth and their respective experienced management teams will, with the benefit of the Semple Cochrane resources, enable the Enlarged Group to undertake contracts, both in increased numbers and of a greater size, together with a wider range of repair activities than either company currently provides. The Directors also believe

LETTER FROM THE CHAIRMAN



this will enhance the customer base of the Group and, further, that the strategically sited locations of Garvel and the Forth Group's facilities will be attractive to both marine and industrial users because of the Enlarged Group's ability to offer flexibility of location. In addition, the Directors believe that the Group's existing track record in providing support services will benefit from the associated skills and technical expertise that the managements of both Garvel and Forth will bring with them.

On flotation in December 1996, the Company did not have the requisite marine management capacity to integrate effectively Garvel's business within the Group. The combination of Garvel and Forth now provides both the necessary management expertise and the opportunity to expand the Group's activities into an area which is closely linked with its existing activities. The Board also considered it to be in the best interests of the Company to devote its full attention and efforts to ensuring a successful flotation and to develop and implement a growth strategy for the Group in the months following flotation.

The Directors believe that the growth potential of Garvel will be enhanced, particularly in the medium term, by the strength and quality of the combined management teams.

Semple Cochrane and Garvel have an established trading relationship. The Directors believe that the success of this relationship demonstrates that the facilities provided by Garvel can be of considerable benefit to Semple Cochrane and that as a result, the integration of Garvel into the Group will be greatly facilitated.

The Directors believe that the Enlarged Group will be in a strong position to benefit from a growing demand for marine support services caused by:

- an ageing world fleet — the Directors believe that as the world shipping fleet ages, there is an increasing demand for repair work and should also lead to an increase in demand for life extension work;
- obligations imposed by the International Convention for Safety of Life at Sea 1974 (as amended) ("SOLAS")—SOLAS imposes stringent safety levels on passenger ships. The United Kingdom and certain European countries will require to implement the provisions of SOLAS within the timescales set out therein. The Directors believe that the majority of work required in order for vessels to comply with the terms of SOLAS remains to be undertaken;
- privatisation of military yards — as the level of work guaranteed to naval yards in the United Kingdom diminishes over the next 5-10 years, the Directors believe that the amount of Ministry of Defence contracts available for commercial tender will increase;
- increase in market size — in 1994 the United Kingdom commercial ship repair and conversion market was estimated by the Department of Trade and Industry to be worth £240m, (excluding military and offshore production work), compared with £180m in 1986. Industry sources suggest that this figure increased to around £300m in 1996. (Sources — Shipbuilders & Shiprepairers Association, and Report by First Marine International Limited on behalf of the Department of Trade and Industry dated August 1995.)



LETTER FROM THE CHAIRMAN

The Acquisitions will broaden the scope of the operations within the sectors in which the Group currently operates, and improve the overall composition and balance of the Group's businesses. The Directors believe that this will enhance the quality of the Group's earnings.

The Placing

The cash element payable under each of the Acquisitions, together with the expenses associated with the Acquisitions and admission of the New Ordinary Shares will be financed by the proceeds of the Placing, which will raise approximately £1,750,000 (before expenses), by the issue of 593,220 new Ordinary Shares.

The Placing has been fully underwritten by Williams de Broë. The Placing Shares will, when allotted and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares in issue, save that they will not rank for any dividend declared, paid or made in respect of the financial year ended 30 June 1997.

Commissions payable under the Placing (other than in respect of the expenses associated with the Acquisitions and admission of the New Ordinary Shares which are payable by the Company) are to be borne by those Garvel Vendors and the Forth Vendor who are receiving cash consideration under the Acquisitions.

Description of Garvel and its business

Garvel's principal activity is the operation of dockyard facilities, based at Greenock and Renfrew, both on the River Clyde on the west coast of Scotland. It undertakes ship overhauls, conversions, refits and voyage repairs as well as providing general engineering services to the non-marine industry. It has, since February 1993, held quality assurance accreditation BS EN ISO9002.

Garvel was established in Greenock in 1987 by myself and Lawrie Sinclair. In March 1995, it acquired the business and assets of Clyde Shipbuilding and Repairing Limited, based in Renfrew, which included a 1,000 ton slipway, to complement its existing Greenock dockyard. I am a director of Garvel and, together with John McKee and Ian McKendrick hold, in aggregate, 62 per cent. of Garvel's issued share capital.

Garvel's two facilities are well located to service vessels operating in the Irish Sea or using the western approaches of the United Kingdom and are only approximately two days' sailing time from the English Channel and Western Europe.

Garvel has recently negotiated a new lease of its Greenock facilities until 2030, and the enhanced area now comprises approximately 250,000 sq. ft. Garvel is currently negotiating an extension of the lease of its Renfrew facilities to 2007, and the Directors expect this to be agreed shortly.

Demand for, and the scope of, Garvel's services arises largely from the increasingly rigorous safety and other regulations affecting the industries in which its customer base operates. Garvel has a recurring customer base, with the usual frequency of revisit ranging from between one to three years. In recent years, Garvel's major customers have numbered ten of which five or six have accounted for approximately 80 per cent. of turnover in any financial year. Garvel is not dependent on any single customer.

LETTER FROM THE CHAIRMAN



Over 90 per cent. of Garvel's business involves fast track contracts, primarily for dry-docking, survey and rectification of essential defects, lasting for up to a month. Garvel also undertakes longer term ship conversion contracts lasting for up to six months. Garvel also has a three year engineering support service contract with Ocean Fleets Limited, for the Ministry of Defence. Customer loyalty is a feature of Garvel's business with Caledonian MacBrayne Limited, Strathclyde Regional Council and the Ministry of Defence having been customers since 1987. In the financial year ended 30 June 1997, Semple Cochrane accounted for 13.3 per cent. of turnover.

Garvel has 63 core employees. Traditionally there has been a good supply of skilled and flexible labour enabling Garvel to respond to changes in demand for its services. It has enjoyed, since its inception, an excellent industrial relations record. Lawrie Sinclair, managing director, is aged 53 and has been with the business since its inception in 1987. He is a naval architect and has spent most of his working life in the industry. Lawrie Sinclair will be entering into a two year service contract with Garvel, on completion of the Garvel Acquisition.

Description of Forth and its business

Forth's principal activity is the operation of dockyard facilities, based at Leith on the River Forth on the east coast of Scotland. It has similar operations based at Grangemouth, in the Forth Estuary, and a workshop base at Hull. It undertakes ship overhauls, repair, conversion, refit and voyage repairs for a wide range of vessels, including North Sea safety and supply vessels, tugs, trawlers and small coasters. It has, since 1993, held quality assurance accreditation BS EN ISO9002.

Forth's business was established in Leith in 1984 by Gerry Hughes and Mike Brooshooft, with a lease from Forth Ports Plc for exclusive use of Edinburgh Drydock and its adjoining area. This, together with access to two other drydock facilities, also within the Leith port area, covers approximately 210,000 sq. ft. Leith is situated at the mouth of the Forth Estuary, a large and busy port complex in Scotland and well located for the North Sea oilfields. A key feature of Leith is that it is a non-tidal complex, allowing docking to take place at any time, irrespective of the prevailing tidal conditions. As the Forth business developed, its directors recognised the benefit of having in-house capacity to undertake services previously outsourced, establishing and acquiring subsidiaries involved in the coating and protection of marine structures, ship propeller refurbishment services, marine and dockside electrical, security and surveillance work, and marine joinery. In addition, in 1991, Forth acquired a 50 per cent. interest in Midland Ship Repairs Limited, based in Grangemouth in the Forth Estuary, upstream from Leith, and since 1996 has held a 60 per cent. interest in Opal Marine & Engineering Limited, which operates from Hull, a port on the Humber Estuary.

Demand for, and the scope of, Forth's services arises largely from the increasingly rigorous safety and other regulations affecting the industries in which its customer base operates. In recent years, Forth has had a recurring customer base, with the usual frequency of revisit ranging from between one to three years. Forth is not dependent on any single customer.

In recent years, Forth has had approximately twelve major customers, the top five of which have accounted for approximately 40 per cent. of the Forth Group's turnover in any financial period.



LETTER FROM THE CHAIRMAN

Customer loyalty is a feature of Forth's business, with three significant customers being Vector Offshore Limited, British Underwater Engineering Limited and Serco Denholm Limited/Ministry of Defence.

The Forth Group has 99 core employees, with all senior staff having significant support service experience. It has enjoyed, since its inception, an excellent industrial relations record. Gerry Hughes, managing director, is aged 45 and a marine engineer. On completion of the Acquisitions, he will enter into a 2 year service contract with Semple Cochrane in respect of his appointment as divisional manager with overall responsibility for Garvel and the Forth Group.

Financial record of Garvel and Forth

Garvel

The following is a summary of the results of Garvel for the year ended 31 December 1994, the 18 month period ended 30 June 1996 and the year ended 30 June 1997, which has been extracted from the Accountant's Report on Garvel in Part II of this document:

	12 months to 31 December 1994 £'000	18 months ended 30 June 1996 £'000	12 months to 30 June 1997 £'000
Turnover	3,201	7,386	5,538
Operating Profit	165	137	238
Profit on ordinary activities before tax	149	105	207

Garvel's turnover has continued to grow in recent years with an increase of 54 per cent. (on a pro rata basis) in the period to 30 June 1996 and an increase of 12 per cent. in the year to 30 June 1997.

Although operating profit fell from £165,000 to £137,000 in the period to 30 June 1996, included in that period's results is a charge of £88,000 in respect of the write-off of a fixed asset investment and an inter company deficit. Operating profits in the year to 30 June 1997 reflect a pro rata increase of 59 per cent. on the previous period (after adjusting for the effect of the £88,000 write off).

As at 30 June 1997, Garvel had net assets of £672,000.

LETTER FROM THE CHAIRMAN



Forth

The following is a summary of the results of Forth for the three years ended 31 January 1997, which has been extracted from the Accountant's Report on Forth in Part III of this document:

	Year ended 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Turnover	4,202	4,830	4,825
Operating Profit	206	452	468
Profit on ordinary activities before tax	214	546	548

Forth's turnover increased by 15 per cent. in the year to 31 January 1996, and remained at a similar level in the year to 31 January 1997, principally due to the timing of contract completions.

The operating profit of Forth in the year to 31 January 1995 was impacted by a provision for two specific debts which resulted in a charge of £186,000 in the year. Of this amount, £156,000 was as a result of a customer going into liquidation, and £30,000 was provided as a result of a dispute by a customer, which was subsequently recovered in the year to 31 January 1996. The operating profit for the year to 31 January 1997 was impacted by a further bad debt write-off of £55,000, as a result of a customer dispute.

Profit on ordinary activities before tax in the years to 31 January 1996 and 31 January 1997 include £75,000 and £42,000 respectively in respect of gains arising on the sales of investments. Further similar sales in the period subsequent to 31 January 1997 have resulted in gains of £550,000.

As at 31 January 1997, Forth had net assets of £1,608,000.

A pro forma statement of net assets of the Enlarged Group is set out in Part V of this document.

Current trading and prospects

The audited results for the year ended 30 June 1997 were announced on 29 September 1997. This was a record year for Semple Cochrane, with turnover up by 54.6 per cent. to £32 million and profit before tax up 45.6 per cent. to £1.318 million. Weighted average earnings per share rose by 17.8 per cent. to 12.6p.

The Directors are recommending a final dividend of 1.8p (net) per share payable on 28 November 1997 to shareholders on the register on 24 October 1997. This makes the total dividend for the year 1.95p net.

Since 30 June 1997, the Group has continued to trade satisfactorily with the firm order book being significantly higher than at the same time last year. The Directors believe that the markets in which the Group operates remain strong both in the United Kingdom and overseas, and demand for the Group's support services continues to grow.



LETTER FROM THE CHAIRMAN

Demand for the services provided by Garvel and Forth remains strong, and both have traded satisfactorily since 30 June 1997 and 31 January 1997 respectively. The Directors believe that the combined strength of the Garvel and Forth management teams will be of significant benefit to the Enlarged Group.

The Directors believe that the Acquisitions will improve the overall composition and balance of the Group's business and enhance the quality of the Enlarged Group's earnings.

City Code

It is a requirement of Rule 9 of the City Code that if any person (or any persons acting in concert) holds between 30 per cent. and 50 per cent. of the voting rights of a company to which the City Code applies and that person (or those persons acting in concert) acquires in any period of 12 months additional shares in that company which carry more than 1 per cent. of such voting rights, a general offer to the shareholders of that company must be made by that person (or those persons).

It is considered that I, Ian McKendrick, John McKee, Lou Delaney and Lawrie Sinclair (and members of our respective families) ("the Rule 9 Shareholders") are acting in concert for the purposes of Rule 9, as shareholders of Garvel who will receive Ordinary Shares in Semple Cochrane as consideration for the Garvel Acquisition. The Rule 9 Shareholders currently hold 3,678,723 Ordinary Shares, together with options to subscribe for a further 33,000 Ordinary Shares.

On completion of the Acquisitions and the Placing (and assuming that the total deferred consideration payable in respect of the Acquisitions is satisfied in full by the issue of Ordinary Shares at an effective price of 309.4 pence per share and the Placing Shares are placed with parties unconnected with the Rule 9 Shareholders), the Rule 9 Shareholders will hold 4,168,542 Ordinary Shares, representing approximately 44.8 per cent. of the Company's enlarged issued share capital. If the options were all exercised at the earliest date on which they respectively became exercisable, being 10 January 2000, then immediately following such exercise — and assuming that no other options to subscribe for Ordinary Shares had been exercised and no further Ordinary Shares issued — the Rule 9 Shareholders would hold a total of 4,201,542 Ordinary Shares, representing approximately 45 per cent. of the share capital of the Company then in issue.

Further details of the Ordinary Shares currently held, and to be held following completion of the Acquisitions and the Placing, and of the options to subscribe for Ordinary Shares, are set out in paragraphs 9.2 and 9.3 respectively, of Part VII of this document.

The Panel has agreed, subject to the Resolutions set out in the attached Notice of Extraordinary General Meeting being passed on a poll by the independent shareholders of Semple Cochrane, to waive the requirement for the Rule 9 Shareholders to make a general offer to the other shareholders under Rule 9 and have agreed to apply the whitewash procedure. Accordingly, the Rule 9 Shareholders have undertaken not to vote on Resolution 2 contained in the notice to the Extraordinary General Meeting. Following completion of the Acquisitions the Rule 9 Shareholders will own or control in aggregate 30 per cent. or more but less than 49 per cent. of Semple Cochrane's voting share capital. Accordingly, the Rule 9 Shareholders will (for so long as they are to be regarded as acting in concert in

LETTER FROM THE CHAIRMAN



terms of the City Code) be permitted to acquire in aggregate no more than 1 per cent. of Semple Cochrane's voting share capital in any twelve month period without incurring any further obligations under Rule 9 to make a general offer to all Semple Cochrane's Shareholders. Further details required by the City Code are set out in paragraph 13 of Part VII of this document.

Annual General Meeting and Extraordinary General Meeting

On 29 September 1997 the Company announced its audited results for the year ended 30 June 1997. Enclosed with this document is the Company's Annual Report and Accounts for the same period, which includes the notice convening the Annual General meeting and a proxy card for use at the Annual General Meeting.

You will find set out at the end of this document a notice convening an Extraordinary General Meeting of the Company to be held at Paisley and District Chamber of Commerce, St. Andrews Drive, Glasgow International Airport at 11.15 a.m. on 30 October 1997, at which resolutions will be proposed to:

1. increase the authorised share capital of the Company from £860,000 to £1,300,000, by the creation of 4,400,000 new Ordinary Shares of 10p each;
2. approve the Garvel Acquisition, the placing of Ordinary Shares pursuant to the Garvel Acquisition and to waive any obligation which might arise as a result of such placing under Rule 9 of the City Code to make a mandatory offer for the Company;
3. approve the Forth Acquisition, the placing of Ordinary Shares pursuant to the Forth Acquisition and the placing of Ordinary Shares to meet the expenses of the Company associated with the Acquisitions and admission of the New Ordinary Shares;
4. authorise the Directors to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £200,000, until 7 October 2002; and
5. disapply statutory pre-emption rights for the purposes of a rights issue, open offer or other pre-emptive offer, up to a maximum nominal amount of £43,674 (representing approximately 5 per cent. of the Company's issued share capital following the Acquisitions and the Placing) such authority to expire on 30 January 1999 (or, if earlier, the conclusion of the next following Annual General Meeting of the Company).

Action to be taken

You will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present in person at the Extraordinary General Meeting, you are requested to complete, sign and return it by post, or by hand, to Independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, as soon as possible but in any event so as to arrive by not later than 11.15 a.m. on 28 October 1997. Completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you wish.



LETTER FROM THE CHAIRMAN

Further information

Your attention is drawn to the further information set out in Parts II-VII of this document.

Recommendation

Your Directors (excluding myself, Ian McKendrick and John McKee, who, in view of our interest in Garvel cannot participate in such recommendation), who have been so advised by Williams de Broë, consider that the terms of the Garvel Acquisition are fair and reasonable so far as the Shareholders are concerned, and that the Garvel Acquisition and the placing of Ordinary Shares pursuant to the Garvel Acquisition are in the best interests of the Company and its shareholders as a whole. In providing advice to those Directors, Williams de Broë has taken into account such Directors' commercial assessment of the Garvel Acquisition and the placing of Ordinary Shares pursuant to the Garvel Acquisition. Accordingly, such Directors unanimously recommend Shareholders to vote in favour of Resolution 2 to approve the Garvel Acquisition and the placing of Ordinary Shares pursuant to the Garvel Acquisition as they intend to do in respect of their own holdings, totalling 11,667 Ordinary Shares, representing approximately 0.15 per cent. of the existing issued ordinary share capital of the Company.

All your Directors, who have received financial advice from Williams de Broë, consider that the Forth Acquisition, the placing of Ordinary Shares pursuant to the Forth Acquisition and the other proposals referred to in this document are in the best interests of the Company and its shareholders as a whole. In providing advice to the Directors, Williams de Broë has placed reliance on the Directors' commercial assessment of the Forth Acquisition and the placing of Ordinary Shares pursuant to the Forth Acquisition. Accordingly your Directors unanimously recommend Shareholders to vote in favour of Resolutions 1, 3, 4 and 5 to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings, totalling 2,334,833 Ordinary Shares, representing approximately 30 per cent. of the existing issued ordinary share capital of the Company.

Yours faithfully

T.A. Clark

Executive

Chairman and Managing Director

PART II

ACCOUNTANTS' REPORT ON GARVEL



The following is the full text of a report from Rutherford Manson Dowds, Chartered Accountants and Registered Auditors.



RMD Chartered Accountants

The Directors
Semple Cochrane PLC
14 William Street
Paisley
PA1 2NA

Rutherford
Manson
Dowds
17 Blythswood Square
Glasgow

The Directors
Williams de Broë Plc
7 Forres Street
Edinburgh
EH3 6BT

6 October 1997

Dear Sirs

GARVEL

We have examined the audited accounts of Garvel ("the Company") for the year ended 31 December 1994, the 18 months ended 30 June 1996 and the year ended 30 June 1997; our examination has been carried out in accordance with the Auditing Guideline : "Prospectuses and the reporting accountant". The accounts of the Company for the year ended 30 June 1997 were audited by Rutherford Manson Dowds, 17 Blythswood Square, Glasgow. The accounts of the Company for the year ended 31 December 1994 and the 18 months ended 30 June 1996 were audited by Robert J Hart & Company, Chartered Accountants, 9 Kilwinning Road, Irvine, KA12 8FR. The accounts for each of these periods were unqualified.

No audited accounts of the Company have been made up in respect of any period subsequent to 30 June 1997.

The financial information set out in paragraphs 1 to 6 is based on the audited accounts of the Company after making such adjustments as we consider necessary.

In our opinion, the financial information gives, for the purpose of the listing particulars dated 6 October 1997, a true and fair view of the profits/losses and cash flows and of the state of affairs of the Company for each of the periods and as at the dates stated.

We consent to the inclusion in the listing particulars dated 6 October 1997 of this report and accept responsibility for that report for the purposes of section 152(1)(e) of the Financial Services Act 1986.



ACCOUNTANTS' REPORT ON GARVEL

1 Profit and Loss Accounts

		12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
	Note			
Turnover	6.2	3,201	7,386	5,538
Cost of sales		(2,473)	(6,256)	(4,610)
Gross profit		728	1,130	928
Administration expenses		(563)	(993)	(690)
Operating profit	6.3	165	137	238
Interest payable	6.5	(16)	(32)	(31)
Profit on ordinary activities before taxation		149	105	207
Taxation	6.6	(49)	(90)	(87)
Profit on ordinary activities after taxation		100	15	120
Dividends	6.7	(72)	(52)	(20)
Retained profit/(loss) for the period	6.15	28	(37)	100

2 Statement of total recognised gains and losses

All recognised gains and losses are included in the profit and loss account for each period.

3 Note of historical cost profits and losses

No note of historical cost profits and losses is given as there is no difference between historical cost profits and losses and the profits and losses reported above.

ACCOUNTANTS' REPORT ON GARVEL



4 Balance Sheets

	Note	31.12.94 £'000	As at 30.06.96 £'000	30.06.97 £'000
Fixed assets				
Tangible assets	6.8	241	294	280
Investments	6.9	170	—	—
		<u>411</u>	<u>294</u>	<u>280</u>
Current Assets				
Work in progress	6.10	142	—	—
Debtors	6.11	447	1,484	1,668
Cash at bank and in hand		95	45	56
		<u>684</u>	<u>1,529</u>	<u>1,724</u>
Creditors: amounts falling due within one year	6.12	<u>(486)</u>	<u>(1,236)</u>	<u>(1,321)</u>
Net current assets		<u>198</u>	<u>293</u>	<u>403</u>
Total assets less current liabilities		609	587	683
Creditors: amounts falling due after more than one year	6.13	<u>—</u>	<u>(15)</u>	<u>(11)</u>
Net assets		<u>609</u>	<u>572</u>	<u>672</u>
Capital and Reserves				
Called up share capital	6.14	15	15	15
Profit and loss account	6.15	594	557	657
Total equity shareholders' funds	6.16	<u>609</u>	<u>572</u>	<u>672</u>



ACCOUNTANTS' REPORT ON GARVEL

5 Cash Flow Statements

		12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
	Note			
Net cash inflow/(outflow) from				
operating activities	6.18	427	(125)	202
Returns on investments and				
servicing of finance	6.19	(17)	(32)	(31)
Taxation		(172)	(39)	(80)
Capital expenditure	6.20	(48)	(53)	(93)
Equity dividends paid		(71)	(52)	(20)
Cash outflow before use of liquid				
resources and financing		119	(301)	(22)
Financing	6.21	(12)	21	5
Increase/(decrease) in cash				
in the period		107	(280)	(17)
Reconciliation of net cash flow to				
movement in net debt				
Increase/(decrease) in cash				
in the period		107	(280)	(17)
Cash inflow/(outflow) from				
decrease/(increase) in debt and				
lease financing		12	(21)	(5)
Change in net debt resulting				
from cashflows		119	(301)	(22)
Net (debt)/cash—opening		(41)	78	(223)
Net cash/(debt)—closing	6.22	78	(223)	(245)



6 Notes to the Accounts

6.1 Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost convention.

Depreciation

Depreciation of fixed assets is calculated to write off their cost less any residual value over their estimated useful lives as follows:—

Leasehold land and buildings	Over the period of the lease
Plant and machinery	20% and 25% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	15% 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 on a straight line basis over the lease term.

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 they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Pensions

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.



ACCOUNTANTS' REPORT ON GARVEL

6.2 Turnover

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

6.3 Operating Profit

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Operating profit is stated after charging:—			
Staff costs (note 6.4)	1,527	3,637	2,469
Auditors' remuneration	5	6	4
Depreciation of tangible fixed assets:—			
Owned assets	54	111	80
Leased assets	10	26	7
Loss on sale of assets	10	14	20
Fixed asset investment and inter-company deficit written off	—	88	—

ACCOUNTANTS' REPORT ON GARVEL



6.4 Directors and Employees

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Staff costs including directors' emoluments			
Wages and salaries	1,367	3,277	2,230
Social security costs	137	318	214
Pension costs	23	42	25
	<u>1,527</u>	<u>3,637</u>	<u>2,469</u>
Average number employed including executive directors	Number	Number	Number
Production staff	66	104	110
Office and management	14	21	18
	<u>80</u>	<u>125</u>	<u>128</u>
	£'000	£'000	£'000
Directors' emoluments			
Other emoluments	86	125	121
Emoluments excluding pension scheme contributions	£'000	£'000	£'000
Chairman	26	28	27
Highest paid director	60	73	63
	Number	Number	Number
Other directors			
£25,001 – £30,000	—	1	1



ACCOUNTANTS' REPORT ON GARVEL

6.5 Interest Payable

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Bank interest	8	21	21
Equipment leasing	6	5	6
Hire purchase interest	2	6	4
	<u>16</u>	<u>32</u>	<u>31</u>

6.6 Taxation

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Corporation tax on profit on ordinary activities at 33%:—			
Current year	49	69	85
Under provision in earlier years	—	21	2
	<u>49</u>	<u>90</u>	<u>87</u>

6.7 Dividends

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Ordinary dividend paid	<u>72</u>	<u>52</u>	<u>20</u>

ACCOUNTANTS' REPORT ON GARVEL



6.8 Tangible Fixed Assets

	Motor Vehicles £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Leasehold Land & Buildings £'000	Total £'000
Cost					
At 1 January 1994	161	466	48	—	675
Additions	19	23	12	—	54
Disposals	(44)	(2)	—	—	(46)
At 31 December 1994	136	487	60	—	683
Additions	93	87	24	9	213
Disposals	(56)	—	—	—	(56)
At 30 June 1996	173	574	84	9	840
Additions	68	116	20	1	205
Disposals	(149)	(26)	—	—	(175)
At 30 June 1997	92	664	104	10	870
Depreciation					
At 1 January 1994	92	299	17	—	408
Charge for year	19	39	6	—	64
Disposals	(30)	—	—	—	(30)
At 31 December 1994	81	338	23	—	442
Charge for period	43	80	13	1	137
Disposals	(33)	—	—	—	(33)
At 30 June 1996	91	418	36	1	546
Charge for year	9	67	10	1	87
Disposals	(33)	(10)	—	—	(43)
At 30 June 1997	67	475	46	2	590
Net Book Value					
At 31 December 1994	55	149	37	—	241
At 30 June 1996	82	156	48	8	294
At 30 June 1997	25	189	58	8	280

The net book value of assets held under hire purchase contracts at 30 June 1997 is £24,000 (30 June 1996: £52,000, 31 December 1994: £30,000).



ACCOUNTANTS' REPORT ON GARVEL

6.9 Fixed Asset Investments

	£'000
At 1 January and 31 December 1994 at cost	170
Disposal	(150)
Amount written off	(20)
	<hr/>
As at 30 June 1996 and 30 June 1997	<hr/>

6.10 Work in Progress

The Company's accounting policy for long term contracts is described in note 6.1. In the accounts at 30 June 1996 and 30 June 1997, work in progress is included either within debtors (note 6.11) as amounts recoverable on contracts or within creditors (note 6.12) as payments on account. The Company's accounting records do not contain sufficient detail to enable the corresponding debtor and creditor amounts to be reclassified as at 31 December 1994. As a result, the accounts at that date include the net amount of work in progress of £142,000. Such treatment has no effect on the Company's profit and loss account in any period.

6.11 Debtors

	31.12.94	As at 30.06.96	30.06.97
	£'000	£'000	£'000
Trade debtors	412	877	950
Other debtors	33	73	69
Prepayments and accrued income	2	26	54
Amounts recoverable on contracts (note 6.10)	—	508	595
	<hr/>	<hr/>	<hr/>
	447	1,484	1,668

ACCOUNTANTS' REPORT ON GARVEL



6.12 Creditors: amounts falling due within one year

	31.12.94	As at 30.06.96	30.06.97
	£'000	£'000	£'000
Bank overdraft	—	230	258
Trade creditors	234	523	410
Corporation tax	122	78	85
Other taxation and social security	92	152	124
Other creditors	2	5	20
Accruals and deferred income	23	42	99
Obligations under finance leases and hire			
purchase contracts (note 6.13)	13	19	15
Directors' loan	—	—	13
Other loans	—	4	4
Payments on account (note 6.10)	—	183	293
	<u>486</u>	<u>1,236</u>	<u>1,321</u>

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

Hire purchase creditors are secured by the related asset.

6.13 Creditors: amounts falling due after more than one year

	31.12.94	As at 30.06.96	30.06.97
	£'000	£'000	£'000
Other loans	—	11	7
Obligations under finance leases and hire			
purchase contracts	—	4	4
	<u>—</u>	<u>15</u>	<u>11</u>
Obligations under finance leases and hire			
purchase contracts are repayable over varying			
periods by monthly instalments as follows:—			
In the next year	13	19	15
In the second to fifth years	—	4	4
	<u>13</u>	<u>23</u>	<u>19</u>

Other loans represents a loan from Renfrewshire Investment Fund which is unsecured and repayable at a rate of £4,000 per annum.



ACCOUNTANTS' REPORT ON GARVEL

6.14 Called up Share Capital

	31.12.94 £'000	As at 30.06.96 £'000	30.06.97 £'000
Authorised			
Ordinary shares of £1 each	15	15	15
Allotted, called up and fully paid			
Ordinary shares of £1 each	15	15	15

6.15 Profit and Loss Account

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Opening balance	566	594	557
Retained profit/(loss) for period	28	(37)	100
Closing balance	594	557	657

6.16 Reconciliation of Movements in Shareholders' Funds

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Profit for the financial period	100	15	120
Dividends	(72)	(52)	(20)
	28	(37)	100
Opening shareholders' funds	581	609	572
Closing shareholders' funds	609	572	672

ACCOUNTANTS' REPORT ON GARVEL



6.17 Related Party Transactions

T A Clark, a director and shareholder of the Company, is a director of Semple Cochrane PLC. I D McKendrick and J E McKee, who are shareholders of the Company, are also directors of Semple Cochrane PLC. The Company and Semple Cochrane PLC have traded as follows in the year to 30 June 1997:—

	£'000
Contract work provided by the	
Company to Semple Cochrane PLC	737
Work performed by Semple Cochrane PLC	
on behalf of the Company	197

There were no material related party transactions in the financial year ended 31 December 1994 or the period ended 30 June 1996.

All the above transactions were entered into on an arm's length basis.

6.18 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Operating profit	165	137	238
Loss on disposal of fixed assets	10	14	20
Depreciation	64	136	87
Loss on fixed asset investment	—	20	—
Decrease/(increase) in debtors	205	(626)	(183)
(Decrease)/increase in creditors	(120)	194	40
Decrease in work in progress	103	—	—
Net cash inflow/(outflow) from operating activities	427	(125)	202



ACCOUNTANTS' REPORT ON GARVEL

6.19 Returns on Investments and Servicing of Finance

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Interest paid	(17)	(32)	(31)

6.20 Capital Expenditure

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Payments to acquire tangible fixed assets	(54)	(212)	(205)
Proceeds on disposal of fixed assets	6	9	112
Proceeds on disposal of fixed asset investment	—	150	—
	(48)	(53)	(93)

6.21 Financing

	12 months to 31.12.94 £'000	18 months to 30.06.96 £'000	12 months to 30.06.97 £'000
Loans received	—	10	9
(Decrease)/increase in hire purchase finance	(12)	11	(4)
	(12)	21	5

6.22 Analysis of net cash/(debt)

	At 1 January 1995 £'000	Cash Flows £'000	At 30 June 1996 £'000	Cash Flows £'000	At 30 June 1997 £'000
Cash at bank	95	(50)	45	11	56
Overdrafts	—	(230)	(230)	(28)	(258)
	95	(280)	(185)	(17)	(202)
Debt due within 1 year	—	(23)	(23)	(9)	(32)
Debt due after 1 year	(17)	2	(15)	4	(11)
	78	(301)	(223)	(22)	(245)

ACCOUNTANTS' REPORT ON GARVEL



6.23 Operating Lease Commitments

The Company has annual commitments payable in the year to 30 June 1998 under operating leases as follows:

	Land and buildings £'000	Other £'000
Leases expiring:		
Within one year	—	7
In one to five years	—	26
After five years	13	—
	<u>13</u>	<u>33</u>

Yours faithfully

Rutherford Manson Dowds



PART III

ACCOUNTANTS' REPORT ON FORTH

The following is the full text of a report from Rutherford Manson Dowds, Chartered Accountants and Registered Auditors.



RMD Chartered Accountants

The Directors
Semple Cochrane PLC
14 William Street
Paisley PA1 2NA

Rutherford
Manson
Dowds
17 Blythswood Square
Glasgow

The Directors
Williams de Broë Plc
7 Forres Street
Edinburgh EH3 6BT

6 October 1997

Dear Sirs

FORTH

We have examined the audited accounts of Forth and its subsidiary undertakings ("the Group") for the three years ended 31 January 1995, 31 January 1996 and 31 January 1997; our examination has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

The accounts of the Group for each of the above years were audited by Moores Rowland, Chartered Accountants, 25 Bothwell Street, Glasgow, G2 6NL. The accounts for each of these years were unqualified.

No audited accounts of the Group have been made up in respect of any period subsequent to 31 January 1997.

The financial information set out in paragraphs 1 to 6 is based on the audited accounts of the Group after making such adjustments as we consider necessary.

In our opinion, the financial information gives, for the purpose of the listing particulars dated 6 October 1997, a true and fair view of the profits and cash flows and of the state of affairs of the Group for each of the years and as at the dates stated.

We consent to the inclusion in the listing particulars dated 6 October 1997 of this report and accept responsibility for that report for the purposes of section 152(1)(e) of the Financial Services Act 1986.

ACCOUNTANTS' REPORT ON FORTH



1 Consolidated Profit and Loss Accounts

	Note	Year ended 31 January		
		1995 £'000	1996 £'000	1997 £'000
Turnover	6.2	4,202	4,830	4,825
Cost of sales		(3,164)	(3,617)	(3,607)
Gross profit		1,038	1,213	1,218
Administration expenses		(832)	(761)	(750)
Operating profit	6.3	206	452	468
Dividend received		5	19	18
Interest received		12	32	24
Interest payable	6.5	(9)	(32)	(4)
Gain on sale of investments		—	75	42
Profit on ordinary activities before taxation		214	546	548
Taxation	6.6	(46)	(149)	(152)
Profit on ordinary activities after taxation		168	397	396
Minority interests — equity		(13)	(29)	(11)
Profit attributable to shareholders		155	368	385
Dividends	6.7	—	(40)	—
Retained profit for the year	6.13	155	328	385

2 Statement of total recognised gains and losses

All recognised gains and losses are included in the profit and loss account for each year.

3 Note of historical cost profits and losses

No note of historical cost profits and losses is given as there is no difference between historical cost profits and the profits reported above.



ACCOUNTANTS' REPORT ON FORTH

4 Consolidated Balance Sheets

		As at 31 January		
	Note	1995 £'000	1996 £'000	1997 £'000
Fixed assets				
Tangible assets	6.8	577	613	266
Current Assets				
Work in progress		360	406	188
Investments	6.9	230	305	270
Debtors	6.10	522	610	1,054
Cash at bank and in hand		561	335	646
		1,673	1,656	2,158
Creditors: amounts falling due within one year	6.11	(1,202)	(999)	(816)
Net current assets		471	657	1,342
Net Assets		1,048	1,270	1,608
Capital and Reserves				
Called up share capital	6.12	20	18	18
Capital redemption reserve	6.13	—	2	2
Profit and loss account	6.13	976	1,174	1,512
Total shareholders' funds	6.14	996	1,194	1,532
Minority interests		52	76	76
Total equity shareholders' funds		1,048	1,270	1,608

ACCOUNTANTS' REPORT ON FORTH



5 Consolidated Cash Flow Statements

	Note	Year ended 31 January		
		1995 £'000	1996 £'000	1997 £'000
Net cash inflow/(outflow) from operating activities	6.15	269	227	38
Returns on investments and servicing of finance	6.16	9	(111)	80
Taxation		(90)	(43)	(152)
Capital expenditure	6.17	(49)	(34)	366
Acquisitions and disposals	6.18	(146)	—	—
Equity dividends paid		—	(46)	(10)
Cash (outflow)/inflow before use of liquid resources and financing		(7)	(7)	322
Financing	6.19	—	21	(10)
(Decrease)/increase in cash in the period		(7)	14	310
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the period		(7)	14	310
Cash outflow from decrease in debt and lease financing		—	—	12
Change in net cash resulting from cashflows		(7)	14	322
New finance leases		—	(21)	—
Movement in net cash in year		(7)	(7)	322
Net cash—opening		150	143	136
Net cash—closing	6.20	143	136	458



ACCOUNTANTS' REPORT ON FORTH

6 Notes to the Consolidated Accounts

6.1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost convention.

Consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiaries drawn up to 31 January each year.

Depreciation

Depreciation is provided on all tangible fixed assets except heritable property at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:—

Plant and machinery	over 4–5 years
Motor vehicles	over 4 years
Portable buildings	over 10 years

Work in progress

Work in progress is valued at the lower of cost (raw materials plus direct labour costs) and net realisable value.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except when these are not expected to crystallise in the future.

Operating leases

The rentals payable on operating leases are charged to the profit and loss account as incurred.

Pension costs

The Company contributes to personal pension schemes held by the directors and staff. The pension costs charge represents contributions payable by the Company to these schemes.

Goodwill

Goodwill arising on acquisitions is written off directly to reserves.

ACCOUNTANTS' REPORT ON FORTH



6.2 Turnover

Turnover represents the invoiced amount of goods sold and services provided, stated net of value added tax.

6.3 Operating Profit

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Operating profit is stated after charging/(crediting):—			
Staff costs (note 6.4)	1,581	1,861	1,734
Auditors' remuneration	3	5	12
Depreciation on tangible fixed assets	74	69	59
Bad debt provisions/(recovery)	186	(30)	55
	<u> </u>	<u> </u>	<u> </u>

6.4 Directors and Employees

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Staff costs including directors' emoluments:			
Wages and salaries	1,378	1,670	1,550
Social Security costs	139	131	105
Other pension costs	64	60	81
	<u>1,581</u>	<u>1,861</u>	<u>1,734</u>
	Number	Number	Number
Average number of employees including executive directors:			
Ship repairing	79	90	74
Office and management	13	17	22
	<u>92</u>	<u>107</u>	<u>96</u>
Directors' remuneration includes:—	£'000	£'000	£'000
Other emoluments (including pension contributions)	158	143	142
Emoluments (excluding pension contributions)			
Chairman	—	20	5
Highest paid director	50	67	85
	<u> </u>	<u> </u>	<u> </u>
	Number	Number	Number
Other Directors £40,001 – £45,000	1	—	—
	<u> </u>	<u> </u>	<u> </u>



ACCOUNTANTS' REPORT ON FORTH

6.5 Interest Payable

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Bank interest	9	23	2
Other interest	—	9	2
	<u>9</u>	<u>32</u>	<u>4</u>

6.6 Taxation

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Corporation tax on profit on ordinary activities at 33%			
Current year	43	143	152
Under provision in earlier years	3	6	—
	<u>46</u>	<u>149</u>	<u>152</u>

6.7 Dividends

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Ordinary dividend paid	—	40	—
	<u>—</u>	<u>40</u>	<u>—</u>

ACCOUNTANTS' REPORT ON FORTH



6.8 Tangible fixed assets

	Heritable Property £'000	Plant and Machinery £'000	Motor Vehicle £'000	Total £'000
Cost				
At 1 February 1994	353	233	250	836
Additions	—	8	24	32
On Acquisition of Subsidiaries	59	95	62	216
Disposals	—	—	(122)	(122)
At 31 January 1995	412	336	214	962
Additions	—	26	83	109
Disposals	—	—	(55)	(55)
At 31 January 1996	412	362	242	1,016
Additions	106	3	16	125
Disposals	(412)	—	(8)	(420)
At 31 January 1997	106	365	250	721
Depreciation				
At 1 February 1994	—	147	169	316
On acquisition of subsidiaries	—	59	43	102
Charge for year	—	20	54	74
Disposals	—	—	(107)	(107)
At 31 January 1995	—	226	159	385
Charge for year	—	25	44	69
Disposals	—	—	(51)	(51)
At 31 January 1996	—	251	152	403
Charge for year	—	23	36	59
Disposals	—	—	(7)	(7)
At 31 January 1997	—	274	181	455
Net book value				
At 31 January 1995	412	110	55	577
At 31 January 1996	412	111	90	613
At 31 January 1997	106	91	69	266



ACCOUNTANTS' REPORT ON FORTH

6.9 Current Asset Investments

	Listed Investments at Cost £'000	Unlisted Investments at Cost £'000	Total £'000
At 1 February 1994	189	4	193
Additions	23	14	37
At 31 January 1995	212	18	230
Additions	75	—	75
At 31 January 1996	287	18	305
Disposals	(35)	—	(35)
At 31 January 1997	252	18	270

All investments, other than unlisted investments with a cost of £14,000, have been transferred to the ultimate holding company since 31 January 1997, for a total consideration of £550,000 (note 6.22).

6.10 Debtors

	As at 31 January		
	1995 £'000	1996 £'000	1997 £'000
Trade debtors	362	474	417
Amount owed by ultimate holding company	—	—	452
VAT recoverable	74	83	33
ACT recoverable	42	41	38
Other debtors and prepayments	44	12	114
	522	610	1,054

6.11 Creditors: amounts falling due within one year

	As at 31 January		
	1995 £'000	1996 £'000	1997 £'000
Bank overdraft	412	172	173
Trade creditors	502	432	276
Corporation tax	56	155	150
Taxes and social security costs	106	56	73
Other creditors and accruals	120	156	129
Hire purchase creditors	6	28	15
	1,202	999	816

The bank overdraft is secured by a bond and floating charge over the assets of the Group.

ACCOUNTANTS' REPORT ON FORTH



6.12 Called up Share Capital

	As at 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Authorised			
Ordinary shares of £1 each	20	20	20
Allotted, called up and fully paid			
Ordinary shares of £1 each	20	18	18

On 11 April 1995, the Company purchased 2,000 of its own shares at a cost of £130,000.

6.13 Reserves

	Capital Redemption Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000
At 1 February 1994	—	—	821
On purchase of subsidiaries	—	132	—
Goodwill written off	—	(132)	—
Retained profit for year	—	—	155
At 31 January 1995	—	—	976
Own shares purchased	2	—	(130)
Retained profit for year	—	—	328
At 31 January 1996	2	—	1,174
Investment in subsidiary previously written off	—	—	(47)
Retained profit for year	—	—	385
At 31 January 1997	2	—	1,512



ACCOUNTANTS' REPORT ON FORTH

6.14 Reconciliation of Movement in Shareholders' Funds

	Year to 31 January		
	1995 £'000	1996 £'000	1997 £'000
Profit attributable to shareholders	155	368	385
Dividend paid	—	(40)	—
Own shares purchased	—	(130)	—
Capital reserve arising on acquisition of subsidiaries	132	—	—
Goodwill written off against capital reserve	(132)	—	—
Investment in subsidiary previously written off	—	—	(47)
Increase in shareholders' funds	155	198	338
Opening shareholders' funds	841	996	1,194
Closing shareholders' funds	996	1,194	1,532

6.15 Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 January		
	1995 £'000	1996 £'000	1997 £'000
Operating profit	206	452	468
Loss on disposal of fixed assets	—	—	25
Depreciation	74	69	59
Gain on sale of investments	—	—	(68)
(Increase)/decrease in stocks	(49)	(45)	218
Investment in subsidiary previously written off	—	—	(47)
(Increase)/decrease in debtors	216	(159)	(444)
Increase/(decrease) in creditors	(178)	(90)	(173)
Net cash inflow/(outflow) from operating activities	269	227	38

ACCOUNTANTS' REPORT ON FORTH



6.16 Returns on Investments and Servicing of Finance

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Interest received	12	32	24
Interest paid	(9)	(32)	(4)
Dividends received	6	19	18
Own shares purchased	—	(130)	—
Other income	—	—	42
	<u>9</u>	<u>(111)</u>	<u>80</u>

6.17 Capital Expenditure

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Payments to acquire tangible fixed assets	(32)	(109)	(125)
Payments to acquire investments	(37)	—	—
Proceeds on disposal of fixed assets	20	—	388
Proceeds on disposal of investments	—	75	103
	<u>(49)</u>	<u>(34)</u>	<u>366</u>

6.18 Acquisitions and disposals

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
Purchase of subsidiary undertakings	<u>(146)</u>	<u>—</u>	<u>—</u>

6.19 Financing

	Year to 31 January		
	1995	1996	1997
	£'000	£'000	£'000
(Decrease)/increase in hire purchase finance	<u>—</u>	<u>21</u>	<u>(12)</u>



ACCOUNTANTS' REPORT ON FORTH

6.20 Analysis of net cash/(debt)

	At 1 February 1995 £'000	Cash Flows £'000	At 31 Jan 1996 £'000	Cash Flows £'000	At 31 Jan 1997 £'000
Cash at bank	561	(226)	335	311	646
Overdrafts	(412)	240	(172)	(1)	(173)
	149	14	163	310	473
Debt due within 1 year	(6)	(21)	(27)	12	(15)
Debt due after 1 year	—	—	—	—	—
	143	(7)	136	322	458

6.21 Operating Lease Commitments

The Group has annual commitments payable in the year to 31 January 1998 under operating leases as follows:

	Land and buildings £'000
Leases expiring:	
Within one year	32
After five years	37
	<u>69</u>

6.22 Subsequent Events

In the period subsequent to 31 January 1997 the Company transferred heritable property with a book value of £106,000 and investments with a book value of £256,000 to its parent company for a total consideration of £912,000 (property £106,000, investments £806,000) resulting in a gain of £550,000. Prior to completion of the Forth Acquisition, Forth will declare and pay a dividend of £1,720,000 to the Forth Vendor, as to £300,000 in cash, with the balance of £1,420,000 in settlement of an inter-company debt due to Forth by the Forth Vendor.

6.23 Ultimate holding company

In the year ended 31 January 1997, the Company became a subsidiary of Forth Estuary Engineering (Holdings) Limited.

Yours faithfully

Rutherford Manson Dowds

PART IV FINANCIAL INFORMATION ON SEMPLE COCHRANE



1 Basis of Preparation

The financial information set out below has been extracted without material adjustment from the audited consolidated financial statements of the Group for the three years ended 30 June 1997. The financial information set out below does not constitute statutory accounts within the meaning of Section 240 of the Act. Rutherford Manson Dowds, Chartered Accountants and Registered Auditors, 17 Blythswood Square, Glasgow, G2 4AD, have audited the Group throughout this period and have made a report under Section 235 of the Act on each set of accounts for the three years ended 30 June 1997. Each such report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act. Statutory accounts for the Group for the two financial years ended 30 June 1996 have been delivered to the Registrar of Companies in Scotland, and statutory accounts for the Group for the year ended 30 June 1997 will be delivered in due course.

2 Financial Information

Consolidated Profit and Loss Accounts

		Year ended 30 June		
	Note	1995 £'000	1996 £'000	1997 £'000
Turnover	2/3	16,617	20,731	32,057
Cost of sales		(14,507)	(18,279)	(28,745)
Gross profit		2,110	2,452	3,312
Administrative expenses		(1,341)	(1,439)	(1,879)
Operating profit	4	769	1,013	1,433
Interest	6	(120)	(108)	(115)
Profit on ordinary activities before taxation		649	905	1,318
Taxation	7	(238)	(250)	(425)
Profit on ordinary activities after taxation		411	655	893
Dividends	8	(63)	(158)	(231)
Retained profit for the year		348	497	662
Earnings per share	28	6.7p	10.7p	12.6p
Dividend per share	29	1.0p	0.9p	1.95p

Statement of Total Recognised Gains and Losses

		Year ended 30 June		
		1995 £'000	1996 £'000	1997 £'000
Profit for the financial year after taxation		411	655	893
Unrealised surplus on revaluation of fixed assets		65	—	—
		476	655	893



FINANCIAL INFORMATION ON SEMPLE COCHRANE

2 Financial Information (continued)

Note of Historical Cost Profits and Losses

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

Consolidated Balance Sheets		As at 30 June		
	Note	1995 £'000	1996 £'000	1997 £'000
Fixed Assets				
Tangible assets	9	826	993	701
Current Assets				
Stock	10	—	—	125
Debtors	11	6,167	8,289	12,387
Cash at bank and in hand		15	20	1,490
		6,182	8,309	14,002
Creditors: Amounts falling due				
within one year	12	(5,200)	(6,769)	(9,083)
Net current assets		982	1,540	4,919
Total assets less current liabilities		1,808	2,533	5,620
Creditors: Amounts falling due				
after more than one year	13	(46)	(374)	(286)
Net Assets		1,762	2,159	5,334
Capital and Reserves				
Called up share capital	16	105	5	778
Share premium account	17	645	645	2,484
Revaluation reserve	18	65	65	65
Capital redemption reserve	19	80	180	180
Profit and loss account	20	549	946	1,570
Capital reserve	21	318	318	257
Total shareholders' funds	15	1,762	2,159	5,334
Attributable to:				
Equity shareholders		508	1,005	5,334
Non-equity shareholders		1,254	1,154	—
		1,762	2,159	5,334

FINANCIAL INFORMATION ON SEMPLE COCHRANE



2 Financial Information (continued)

Consolidated Cash Flow Statements

	Note	Year ended 30 June		
		1995 £'000	1996 £'000	1997 £'000
Net cash inflow from operating activities	22	658	378	661
Returns on investments and servicing of finance	23	(120)	(148)	(167)
Taxation		(234)	(282)	(299)
Capital expenditure and financial investment	23	23	51	223
Acquisitions and disposals	25	(1)	—	(203)
Equity dividends paid		(63)	—	(85)
Cash inflow/(outflow) before use of liquid resources and financing		263	(1)	130
Financing	23	198	(8)	2,106
Increase/(decrease) in cash in the year		461	(9)	2,236
Reconciliation of net cash flow to movement in net (debt)/cash	24			
Increase/(decrease) in cash in the year		461	(9)	2,236
Cash (outflow)/inflow from increase in debt and lease financing		(293)	(92)	506
Change in net debt resulting from cash flows		168	(101)	2,742
Loans and finance leases acquired with subsidiary		(7)	—	(52)
New finance leases		(191)	(420)	—
Translation difference		—	—	(38)
Movement in net (debt)/cash in the year		(30)	(521)	2,652
Net debt—opening		(1,279)	(1,309)	(1,830)
Net (debt)/cash—closing		(1,309)	(1,830)	822



FINANCIAL INFORMATION ON SEMPLE COCHRANE

Notes to the Consolidated Accounts

I Accounting Policies

Basis of Accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historic cost convention except for certain freehold land and buildings which are included at valuation.

Goodwill

On acquisition of a subsidiary, all of the tangible assets and liabilities that exist at the date of acquisition are recorded at their fair value at that date. Goodwill arising on consolidation represents the excess of fair value of the consideration given over the fair value of the net tangible assets acquired. Goodwill is applied against reserves in the year of acquisition.

Consolidation

The consolidated accounts incorporate the accounts of the Company and of its subsidiary undertakings drawn up to 30 June each year.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation, less any residual value, over their estimated useful lives as follows:—

Freehold land and buildings	2% straight line
Leasehold improvements	Over term of lease
Plant and machinery	20% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	20% reducing balance

Government Grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to the profit and loss account in the year to which they relate.

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 on a straight line basis over the lease term.



I Accounting Policies (continued)

Stock

Stock is 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 they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Pensions

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred Taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the future.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

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

2 Turnover

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.



FINANCIAL INFORMATION ON SEMPLE COCHRANE

3 Segmental Analysis of Turnover

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Facilities development and management	6,138	7,574	9,362
Systems engineering	8,439	9,614	16,890
Building engineering services	2,040	3,543	5,805
	<u>16,617</u>	<u>20,731</u>	<u>32,057</u>
	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Geographical segments			
UK	16,617	20,731	31,085
Asia	—	—	972
	<u>16,617</u>	<u>20,731</u>	<u>32,057</u>

4 Operating Profit

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Operating profit is stated after charging/(crediting):			
Staff costs (note 5)	4,988	6,294	8,817
Auditors' remuneration	11	11	18
Fees for non-audit services	—	4	9
Depreciation of tangible fixed assets:			
Owned assets	76	65	59
Assets under finance leases and hire purchase contracts	75	142	11
Loss/(profit) on sale of assets	20	(7)	68
The total amount charged against profits in respect of finance leases and hire purchase contracts is (of which part is shown as depreciation and the balance is shown as interest payable in note 6)	<u>88</u>	<u>161</u>	<u>44</u>

In addition to the above, auditors remuneration for non-audit services of £31,000 provided in the year ended 30 June 1997 in connection with the Company's flotation on the Official List on 2 December 1996 has been charged to the share premium account.

FINANCIAL INFORMATION ON SEMPLE COCHRANE



5 Directors and Employees

	Year ended 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Staff costs including directors' emoluments			
Wages and salaries	4,955	6,213	8,726
Pension costs	94	81	91
Pensions encashed	(61)	—	—
	<u>4,988</u>	<u>6,294</u>	<u>8,817</u>
Average number employed including executive directors			
Operatives	193	233	332
Administration staff	29	37	40
	<u>222</u>	<u>270</u>	<u>372</u>
	£'000	£'000	£'000
Directors' emoluments			
Fees and other emoluments (including pension scheme contributions)	393	428	531
Pensions encashed	(61)	—	—
	<u>332</u>	<u>428</u>	<u>531</u>
	£'000	£'000	£'000
Emoluments excluding pension scheme contributions			
Chairman and highest paid director	102	126	161
	Number	Number	Number
Other directors			
£NIL – £5,000	1	—	—
£5,001 – £10,000	—	—	3
£10,001 – £15,000	—	1	—
£25,001 – £30,000	—	2	—
£55,001 – £60,000	1	1	—
£65,001 – £70,000	—	—	1
£70,001 – £75,000	1	—	—
£80,001 – £85,000	1	—	—
£95,001 – £100,000	—	1	—
£100,001 – £105,000	—	—	1
£105,001 – £110,000	—	—	1



FINANCIAL INFORMATION ON SEMPLE COCHRANE

6 Interest

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Bank interest	85	89	92
Other interest	22	—	—
Hire purchase interest	13	19	33
	<u>120</u>	<u>108</u>	<u>125</u>
Bank interest receivable	—	—	(10)
	<u>120</u>	<u>108</u>	<u>115</u>

7 Taxation

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Corporation tax on profit on ordinary activities at 33%			
Current year	262	300	425
Over provision in prior years	(24)	(50)	—
	<u>238</u>	<u>250</u>	<u>425</u>

8 Dividends

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
"A" Ordinary dividend – paid	—	40	12
– proposed	—	63	49
Ordinary dividend – paid	63	—	30
– proposed	—	55	140
	<u>63</u>	<u>158</u>	<u>231</u>

FINANCIAL INFORMATION ON SEMPLE COCHRANE



9 Tangible Fixed Assets

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Leasehold improve- ments £'000	Freehold land and buildings £'000	Total £'000
Cost or Valuation						
At 1 July 1994	544	244	71	—	306	1,165
Additions	195	71	4	—	6	276
Disposals	(118)	(1)	—	—	—	(119)
Surplus on revaluation	—	—	—	—	48	48
At 30 June 1995	621	314	75	—	360	1,370
Additions	340	69	5	—	—	414
Disposals	(125)	—	—	—	—	(125)
At 30 June 1996	836	383	80	—	360	1,659
Additions	263	—	88	43	51	445
Acquisitions of subsidiaries	49	—	76	—	—	125
Disposals	(1,039)	(56)	—	—	—	(1,095)
At 30 June 1997	109	327	244	43	411	1,134
Depreciation						
At 1 July 1994	260	127	59	—	18	464
Charge for year	104	38	3	—	6	151
Disposals	(54)	—	—	—	—	(54)
Surplus on revaluation	—	—	—	—	(17)	(17)
At 30 June 1995	310	165	62	—	7	544
Charge for year	154	44	2	—	7	207
Disposals	(85)	—	—	—	—	(85)
At 30 June 1996	379	209	64	—	14	666
Acquisitions of subsidiaries	19	—	37	—	—	56
Charge for year	12	27	20	3	8	70
Disposals	(343)	(16)	—	—	—	(359)
At 30 June 1997	67	220	121	3	22	433
Net book value						
At 30 June 1995	311	149	13	—	353	826
At 30 June 1996	457	174	16	—	346	993
At 30 June 1997	42	107	123	40	389	701

The freehold land and buildings were revalued by R & W Hall, Chartered Surveyors in November 1994 on an open market basis.



FINANCIAL INFORMATION ON SEMPLE COCHRANE

9 Tangible Fixed Assets (continued)

The net book value of assets held under finance leases and hire purchase contracts at 30 June 1997 is £57,000 (1996 £499,000, 1995 £236,000).

10 Stock

	As at 30 June		
	1995 £'000	1996 £'000	1997 £'000
Raw materials	—	—	81
Work in progress	—	—	44
	<u>—</u>	<u>—</u>	<u>125</u>

11 Debtors

	As at 30 June		
	1995 £'000	1996 £'000	1997 £'000
Amounts recoverable on long term contracts	915	2,122	4,083
Trade debtors	5,040	5,945	7,893
Other debtors and prepayments	27	5	147
ACT recoverable	185	217	264
	<u>6,167</u>	<u>8,289</u>	<u>12,387</u>

Included within amounts recoverable on long term contracts is a balance of £498,000 due in more than one year (1996: £412,000, 1995: £nil).

FINANCIAL INFORMATION ON SEMPLE COCHRANE



12 Creditors: amounts falling due within one year

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Bank overdraft	684	698	—
Bank loans (note 13)	450	566	360
Payments on account	615	899	395
Trade creditors	2,030	3,202	6,604
Corporation tax	134	352	495
Other taxation and social security	621	461	565
Accruals and deferred income	185	177	317
ACT payable	303	83	113
Grants within one year	34	—	—
Obligations under finance leases and hire purchase contracts	144	213	22
Dividends proposed	—	118	212
	<u>5,200</u>	<u>6,769</u>	<u>9,083</u>

Bank borrowings are secured by a floating charge over the assets of the Company and a standard security over the freehold land and buildings.

Performance bonds exist between the Company and various third parties under normal contractual terms.

Obligations under hire purchase contracts are secured by the related assets.



FINANCIAL INFORMATION ON SEMPLE COCHRANE

13 Creditors: amounts falling due after more than one year

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Bank loans	—	335	266
Obligations under finance leases and hire purchase contracts	46	39	20
	<u>46</u>	<u>374</u>	<u>286</u>
Bank overdrafts and loans are repayable as follows:—			
In one year or less, or on demand	1,134	1,264	360
Between one and two years	—	123	100
Between two and five years	—	212	166
	<u>1,134</u>	<u>1,599</u>	<u>626</u>
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:—			
In the next year	144	213	22
In the second to fifth year	46	39	20
	<u>190</u>	<u>252</u>	<u>42</u>

14 Deferred taxation

The potential liability for deferred taxation at 30 June 1997 was £nil (1996 – £nil, 1995 – £nil).

FINANCIAL INFORMATION ON SEMPLE COCHRANE



15 Reconciliation of movements in shareholders' funds

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Profit for the financial year	411	655	893
Dividends	(63)	(158)	(231)
	<u>348</u>	<u>497</u>	<u>662</u>
Shares issued in year	1,155	—	773
Premium on shares issued, net of expenses	—	—	1,839
Redemption of shares	(1,250)	(100)	—
Capital reserve on acquisition of subsidiary	318	—	—
Revaluation in year	65	—	—
Exchange reserve	—	—	(38)
Goodwill written off	—	—	(61)
	<u>636</u>	<u>397</u>	<u>3,175</u>
Opening shareholders' funds	<u>1,126</u>	<u>1,762</u>	<u>2,159</u>
Closing shareholders' funds	<u>1,762</u>	<u>2,159</u>	<u>5,334</u>

16 Called up share capital

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Authorised			
Equity shares			
Ordinary shares of 10p each	—	—	860
Ordinary shares of £1 each	4	4	—
Non-equity shares			
"A" ordinary shares of £1 each	1	1	—
Preference shares of £1 each	150	—	—
"A" preference shares of £1 each	692	692	—
	<u>847</u>	<u>697</u>	<u>860</u>



FINANCIAL INFORMATION ON SEMPLE COCHRANE

16 Called up share capital (continued)

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Allotted, called up and fully paid			
Equity shares			
Ordinary shares of 10p each	—	—	778
Ordinary shares of £1 each	4	4	—
Non-equity shares			
"A" ordinary shares of £1 each	1	1	—
Preference shares of £1 each	100	—	—
	<u>105</u>	<u>5</u>	<u>778</u>

On 25 November 1996 pursuant to resolutions passed by the Company, it was resolved that:—

- (i) all issued Ordinary and "A" Ordinary shares of £1 each be subdivided into ten Ordinary shares of 10p each;
- (ii) the authorised share capital of the Company be reduced by the cancellation of all un-issued Preference shares of £1 and thereafter increased to £860,000 by the creation of 8,550,000 Ordinary shares of 10p each.
- (iii) the sum of £607,000, being part of the existing share premium account, be capitalised and the Directors be authorised and directed to apply such sums for paying in full at par 6,070,000 Ordinary shares and to issue such amongst the persons who at the close of business on the day immediately prior to the passing of the resolution were registered holders of Ordinary shares and "A" ordinary shares in proportion as nearly as may be to the numbers of Ordinary shares and "A" Ordinary shares then held by such persons.

Under the terms of a placing agreement dated 26 November 1996 between the Company and Williams de Broë Plc, 1,662,731 ordinary shares were placed at a price of £1.80 per share. The above share issues and placing took place in order to finance the expansion of the Group's existing and planned business activities.

17 Share premium account

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Opening balance	—	645	645
Premium on shares issued in year	1,199	—	2,220
Expenses of issue	(46)	—	(381)
Bonus issue of preference shares	(508)	—	—
Closing balance	<u>645</u>	<u>645</u>	<u>2,484</u>

FINANCIAL INFORMATION ON SEMPLE COCHRANE



18 Revaluation reserve

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Opening balance	185	65	65
Surplus on revaluation	65	—	—
Bonus issue of preference shares	(185)	—	—
Closing balance	<u>65</u>	<u>65</u>	<u>65</u>

19 Capital redemption reserve

	As at 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Opening balance	30	80	180
Transfer from profit and loss account	50	100	—
Closing balance	<u>80</u>	<u>180</u>	<u>180</u>

20 Profit and loss account

	Year ended 30 June		
	1995	1996	1997
	£'000	£'000	£'000
Opening balance	759	549	946
Retained profit for the year	348	497	662
Foreign exchange revaluation	—	—	(38)
Transfer to capital redemption reserve	(50)	(100)	—
Premium on redemption	(508)	—	—
Closing balance	<u>549</u>	<u>946</u>	<u>1,570</u>

21 Capital reserve

	Year ended 30 June		
	1995	1996	1997
	£'000	£'000	£'000
On acquisition of subsidiaries	318	318	318
Goodwill written off	—	—	(61)
	<u>318</u>	<u>318</u>	<u>257</u>



FINANCIAL INFORMATION ON SEMPLE COCHRANE

22 Reconciliation of operating profit to net cash flows

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Operating profit	769	1,013	1,433
Depreciation charges	151	207	70
Loss/(profit) on sale of fixed assets	20	(5)	68
Decrease/(increase) in stocks	42	—	(20)
Decrease/(increase) in debtors	936	(2,091)	(3,469)
Increase/(decrease) in creditors	(1,260)	1,254	2,579
Net cash inflow from operating activities	<u>658</u>	<u>378</u>	<u>661</u>

23 Analysis of cash flows for headings netted in the cash flow statement

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Returns on investments and servicing of finance:			
Interest received	—	—	10
Interest paid	(107)	(89)	(92)
Non-equity dividend paid	—	(40)	(52)
Interest element of hire purchase and finance lease rentals	<u>(13)</u>	<u>(19)</u>	<u>(33)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(120)</u>	<u>(148)</u>	<u>(167)</u>
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	(22)	—	(445)
Sale of plant and machinery	<u>45</u>	<u>51</u>	<u>668</u>
Net cash inflow from capital expenditure and financial investment	<u>23</u>	<u>51</u>	<u>223</u>

FINANCIAL INFORMATION ON SEMPLE COCHRANE



23 Analysis of cash flows for headings netted in the cash flow statement (continued)

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Financing:			
Issue of ordinary share capital	1,200	—	2,993
Finance costs of share issue	(45)	—	(381)
Redemption of preference share capital	(1,250)	(100)	—
<i>Debt due within a year:</i>			
Repayment of secured loan	—	(50)	(213)
Secured loan received	123	166	—
<i>Debt due outwith a year:</i>			
Repayment of secured loan	—	—	(69)
Secured loan received	335	334	—
Capital element of hire purchase and finance lease payments	(165)	(358)	(224)
Net cash inflow/(outflow) from financing	198	(8)	2,106

24 Analysis of net (debt)/cash

	At 1 July 1995	Cash flow	At 30 June 1996	Cash flow	Acquisition	At 30 June 1997
Cash at bank	15	5	20	1,416	54	1,490
Overdraft	(684)	(14)	(698)	790	(92)	—
	(669)	(9)	(678)	2,206	(38)	1,490
<i>Debt due within</i>						
1 year	(450)	(115)	(565)	205	—	(360)
<i>Debt due outwith</i>						
1 year	—	(335)	(335)	69	—	(266)
<i>Hire purchase and finance leases</i>						
	(190)	(62)	(252)	224	(14)	(42)
	(640)	(512)	(1,152)	498	(14)	(668)
Total	(1,309)	(521)	(1,830)	2,704	(52)	822



FINANCIAL INFORMATION ON SEMPLE COCHRANE

25 Purchase of subsidiary undertakings

	Year ended 30 June		
	1995 £'000	1996 £'000	1997 £'000
Net assets acquired:			
Tangible fixed assets	63	—	69
Stocks	28	—	105
Debtors	1,177	—	582
Cash at bank and in hand	—	—	54
Creditors	(942)	—	(562)
Bank overdraft	(7)	—	(92)
Hire purchase and finance leases	—	—	(14)
	<u>319</u>	<u>—</u>	<u>142</u>
(Capital reserve)/goodwill	<u>(318)</u>	<u>—</u>	<u>61</u>
	<u>1</u>	<u>—</u>	<u>203</u>
Satisfied by:			
Issue of shares	1	—	—
Cash	<u>—</u>	<u>—</u>	<u>203</u>
	<u>1</u>	<u>—</u>	<u>203</u>

26 Contingent liability

Certain customers of the Group have been provided with performance bonds by the Group's bankers. At 30 June 1997 the total contingent liability in respect of such bonds was £736,000 (1996 – £533,000, 1995 – £460,000).

FINANCIAL INFORMATION ON SEMPLE COCHRANE



27 Operating lease commitments

The Group has annual commitments payable in the year to 30 June 1998 under operating leases as follows:—

	Land and Buildings £'000	Other £'000
Leases expiring:		
Within one year	27	44
In one to five years	3	193
After five years	26	—
	<u>56</u>	<u>237</u>

28 Earnings per share

Earnings per Ordinary Share is calculated by dividing the profit after taxation by the average number of Ordinary Shares in issue of 7,084,973 (1996 and 1995 — 6,115,047 after adjusting for the re-organisation of share capital on 25 November 1996).

29 Dividend per share

Dividend per Ordinary Share is calculated by dividing the ordinary dividend by the average number of Ordinary Shares in issue of 7,084,973 (1996 and 1995 — 6,115,047 after adjusting for the re-organisation of share capital on 25 November 1996).

30 Related party transactions

	Sales to related party £'000	Purchases from related party £'000	Amounts owed to related party £'000
Related party			
Garvel Clyde Limited	197	737	81
Acumen Management Limited	—	35	11
	<u>197</u>	<u>772</u>	<u>92</u>

T.A. Clark, a Director of the Company, is also a director and shareholder of Garvel. Two other Directors of the Company, I.D. McKendrick and J.E. McKee are also shareholders of Garvel. The payments to Acumen Management Limited were for accounting, administrative and training services during the year. W.W. Evans, a Director of the Company, is also a director and shareholder of Acumen Management Limited.



PART V

PRO FORMA STATEMENT OF COMBINED NET ASSETS OF THE ENLARGED GROUP

This pro forma statement of the combined net assets of the Enlarged Group has been prepared for illustrative purposes only to show the effect of the Acquisitions and the Placing on the net assets of the Group and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

	The Group as at 30.06.97 £'000	Garvel as at 30.06.97 £'000	Forth as at 31.01.97 £'000	Adjust- ments £'000	Pro-forma £'000
Fixed Assets					
Tangible assets	701	280	266	(106) Note 2a	1,141
Current Assets					
Stocks and work in progress	125	—	188	—	313
Investments	—	—	270	(256) Note 2a	14
Debtors	12,387	1,668	1,054	(452) Notes 2a+2b	14,657
Cash at bank and in hand	1,490	56	646	(300) Note 2b	1,892
	14,002	1,724	2,158	(1,008)	16,876
Creditors: Amounts falling due within one year	(9,083)	(1,321)	(816)	(56) Note 2b	(11,276)
Net current assets	4,919	403	1,342	(1,064)	5,600
Total assets less current liabilities	5,620	683	1,608	(1,170)	6,741
Creditors: Amounts falling due after more than one year	(286)	(11)	—	—	(297)
Net assets	5,334	672	1,608	(1,170)	6,444

Notes:

1. This pro forma statement is based on:
 - (a) the audited consolidated balance sheet of the Group as at 30 June 1997, as set out in Part IV of this document;
 - (b) the audited balance sheet of Garvel as at 30 June 1997, as set out in the Accountants' Report on Garvel contained in Part II of this document; and
 - (c) the audited consolidated balance sheet of Forth as at 31 January 1997, as set out in the Accountants' Report on Forth contained in Part III of this document.

PRO FORMA STATEMENT OF COMBINED NET ASSETS OF THE ENLARGED GROUP



2. Adjustments have been made to reflect:—
 - (a) the disposal of heritable properties and certain investments (with respective book values of £106,000 and £256,000) by Forth to its parent company for an aggregate consideration of £912,000 in the period since 31 January 1997, thereby increasing the inter company debtor balance by that amount.
 - (b) the payment by Forth of a pre-completion dividend of £1,720,000, comprising £300,000 in cash, £1,364,000 in elimination of the inter company debtor balance and £56,000 in the creation of an inter company creditor balance.
3. No adjustment is required to show the proceeds of the Placing as the extra proceeds will be applied in satisfying the cash elements of the initial considerations and the associated costs of the Acquisitions and the Placing. The proceeds of the Placing are £1,750,000 (before expenses), payable as to £374,500 to the Garvel Vendor to satisfy the cash element of the initial consideration under the Garvel Acquisition Agreement, £1,100,000 to the Forth Vendor to satisfy the cash element of the initial consideration under the Forth Acquisition Agreement, and £275,000 to the Company to fund the expenses associated with the Acquisitions and admission of the New Ordinary Shares.
4. No adjustments have been made to reflect:
 - (a) trading since 30 June 1997 in the case of each of the Group and Garvel, and trading since 31 January 1997 in the case of Forth; and
 - (b) any adjustments required to reflect the respective fair values of the net assets of Garvel and Forth as at the date of acquisition.



PRO FORMA STATEMENT OF COMBINED NET ASSETS OF THE ENLARGED GROUP



RMD Chartered Accountants

The Directors
Semple Cochrane PLC
14 William Street
Paisley
PA1 2NA

The Directors
Williams de Broë Plc
7 Forres Street
Edinburgh
EH3 6BT

6 October 1997

Gentlemen,

We have reviewed the bases and calculations for the *pro forma* statement of combined net assets ("the Statement") of Semple Cochrane PLC and its subsidiaries following the acquisitions of Garvel and Forth and the Placing, for which the Directors are solely responsible. The Statement, which has been prepared for illustrative purposes only, is set out on page 62 of the listing particulars dated 6 October 1997 ("the Listing Particulars").

In our opinion the Statement has been properly compiled on the bases set out on pages 62 and 63 of the Listing Particulars and has been prepared on a basis consistent with the accounting policies adopted by Semple Cochrane PLC.

We confirm that, in our opinion, the adjustments set out on page 63 of the Listing Particulars, are appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to Rule 12.29 of the Listing Rules of the London Stock Exchange.

Yours faithfully

Rutherford Manson Dowds

PART VI

SUMMARY OF THE GARVEL ACQUISITION AGREEMENT, THE FORTH ACQUISITION AGREEMENT AND THE PLACING AGREEMENT



I. Garvel Acquisition Agreement

Under, and in terms of the Garvel Acquisition Agreement entered into between (1) Semple Cochrane and (2) T A Clark, I D McKendrick, J E McKee, L Delaney and W L Sinclair ("the Garvel Vendors"), it has been agreed that, subject to the conditions referred to below, Semple Cochrane will purchase the issued share capital of Garvel for a consideration of £1,890,000. The consideration (to be satisfied by a mixture of Ordinary Shares and cash) will be payable as follows:

- (i) £1,250,000 at completion;
- (ii) £320,000 on the first anniversary of completion; and
- (iii) £320,000 on the second anniversary of completion.

The obligations of the parties under the Garvel Acquisition Agreement are conditional on the fulfilment of the following conditions:—

1. the passing in general meeting of Semple Cochrane of Resolutions 1 and 2 set out in the Notice of Extraordinary General Meeting at the end of this document;
2. the Placing Agreement referred to in paragraph 3 below having become unconditional in all respects and not having been terminated; and
3. the satisfaction of the requirements of the London Stock Exchange and the admission of the Garvel Consideration Shares to the Official List becoming effective.

If the foregoing conditions are not satisfied on or before 7 November 1997 the obligations of the parties under the Garvel Acquisition Agreement shall be at an end save for rights and liabilities which accrued prior to termination.

The Garvel Vendors have agreed that between the date of the Garvel Acquisition Agreement and completion (which shall take place on the business day on which the foregoing conditions are satisfied), they will procure that Garvel will carry on business in the normal course and that certain material matters shall not be transacted without Semple Cochrane's prior written consent. Semple Cochrane will, during such period, be given access to the business records and personnel of Garvel.

In terms of the Garvel Acquisition Agreement, the Garvel Vendors have (subject to various limitations on their liability which may arise thereunder) given certain warranties and tax undertakings in favour of Semple Cochrane. The undertakings relating to taxation are given at completion. The warranties are given both at the date of execution of the Garvel Acquisition Agreement and (subject to fair disclosure in any supplementary disclosure letter) at completion. However, Semple Cochrane shall have the right to terminate the Garvel Acquisition Agreement if, between the date of execution of the Garvel Acquisition Agreement and completion, an event or circumstance occurs which would result in a substantial claim of more than £200,000 under such warranties or undertakings or the pre-completion undertakings referred to in the previous paragraph.



SUMMARY OF THE GARVEL ACQUISITION AGREEMENT, THE FORTH ACQUISITION AGREEMENT AND THE PLACING AGREEMENT

The Garvel Vendors are responsible for any placing commissions payable by Semple Cochrane to Williams de Broë in connection with the Placing to raise the cash consideration payable to the Garvel Vendors pursuant to the Garvel Acquisition.

The Garvel Vendors have also undertaken that (other than W L Sinclair in terms of his service agreement with Garvel and T A Clark, I D McKendrick and J E McKee as Directors of the Company) they will not, for a period of 12 months from completion, be interested in carrying on any business of the same nature as that carried on by Garvel as at completion.

W L Sinclair is in terms of the Garvel Acquisition Agreement obliged to retain all Garvel Consideration Shares issued to him for a period of 12 months from issue. I D McKendrick, T A Clark and L Delaney will be obliged to retain their respective Garvel Consideration Shares until 1 January 1998. The existing restrictions to which they, together with J E McKee, are subject in terms of the placing agreement referred to in paragraph 10.1(e) of Part VII of this document, will, from completion of the Garvel Acquisition, be extended so as to apply until 2 June 1998.

2. Forth Acquisition Agreement

Under and in terms of the Forth Acquisition Agreement entered into among (1) Semple Cochrane, (2) Forth Estuary Engineering (Holdings) Limited and (3) G J Hughes and Others, it has been agreed that, subject to the conditions referred to below, Semple Cochrane will purchase the issued share capital of Forth for a consideration of £2,450,000. The consideration (to be satisfied as to £150,000 in cash, and the balance by a mixture of Ordinary Shares and cash) will be payable as follows:—

- (i) £1,350,000 at completion;
- (ii) £625,000 on the first anniversary of completion; and
- (iii) £475,000 on the second anniversary of completion.

The obligations of the parties under the Forth Acquisition Agreement are conditional on the fulfilment of the following conditions:—

- 1. the passing in general meeting of Semple Cochrane of Resolutions 1 and 3 set out in the Notice of Extraordinary General Meeting at the end of this document;
- 2. the Placing Agreement referred to in paragraph 3 below having become unconditional in all respects and not having been terminated; and
- 3. the satisfaction of the requirements of the London Stock Exchange and the admission of the Forth Consideration Shares to the Official List becoming effective.

If the foregoing conditions are not satisfied on or before 7 November 1997 the obligations of the parties under the Forth Acquisition Agreement shall be at an end save for rights and liabilities which accrued prior to termination.

The Forth Vendor, G J Hughes and F M D Brooshooft ("the Forth Warrantors") have agreed that, between the date of the Forth Acquisition Agreement and completion (which shall take place on the business day on which the foregoing conditions are satisfied), they will procure

SUMMARY OF THE GARVEL ACQUISITION AGREEMENT, THE FORTH ACQUISITION AGREEMENT AND THE PLACING AGREEMENT



that Forth will carry on business in the normal course and that certain material matters shall not be transacted without Semple Cochrane's prior written consent. Semple Cochrane will, during such period, be given access to the business records and personnel of Forth.

In terms of the Forth Acquisition Agreement, the Forth Warrantors have (subject to various limitations on their liability which may arise thereunder) given certain warranties and tax undertakings in favour of Semple Cochrane. The undertakings relating to taxation are given at completion. The warranties are given both at the date of execution of the Forth Acquisition Agreement and (subject to fair disclosure in any supplementary disclosure letter) at completion. However, Semple Cochrane shall have the right to terminate the Forth Acquisition Agreement if, between the date of execution of the Forth Acquisition Agreement and completion, an event or circumstance occurs which would result in a substantial claim of more than £200,000 under such warranties or undertakings or the pre-completion undertakings referred to in the previous paragraph.

The Forth Vendor is responsible for any placing commissions payable by Semple Cochrane to Williams de Broë in connection with the Placing to raise the cash consideration payable to the Forth Vendor pursuant to the Forth Acquisition.

The Forth Warrantors have also undertaken that (other than G J Hughes in terms of his service agreement with the Company) they will not, for a period of 12 months from completion, be interested in carrying on any business of the same nature as that carried on by Forth as at completion.

The Forth Vendor is in terms of the Forth Acquisition Agreement obliged to retain all the Forth Consideration Shares issued to it for a period of 12 months from issue and G J Hughes and F M D Brooshooft will use their respective reasonable endeavours to procure compliance with this obligation.

3. Placing Agreement

- (a) By an agreement dated 29 September 1997 between (1) Semple Cochrane (2) Williams de Broë (3) T A Clark and others (the "Directors"), Williams de Broë has agreed as agent for Semple Cochrane to use its reasonable endeavours to seek to procure subscribers for the Placing Shares or itself to subscribe for such of the Placing Shares for which subscribers have not been procured. The Placing Agreement contains certain warranties and indemnities given by the Company regarding the Company and the accuracy of the information included in this document and certain warranties by the Directors in respect of the information relating to Garvel and their own holdings.
- (b) Williams de Broë's obligations under the Placing Agreement are conditional, *inter alia* on admission of the New Ordinary Shares to the Official List taking place by 31 October 1997 (or such later date as Williams de Broë, the Directors and the Company may agree but in any event being no later than 7 November 1997) and the passing of the resolutions to approve each of the Acquisitions. The Placing Agreement may be terminated in



SUMMARY OF THE GARVEL ACQUISITION AGREEMENT, THE FORTH ACQUISITION AGREEMENT AND THE PLACING AGREEMENT

certain circumstances prior to admission of the new Ordinary Shares to the Official List including a material adverse change in market conditions.

- (c) Conditional on admission of New Ordinary Shares to the Official List, Semple Cochrane will pay a fee to Williams de Broë of £75,000 (exclusive of value added tax) in connection with its services relating to the Placing and this document and a commission of 2% of the aggregate of the number of Placing Shares at the Placing Price. Semple Cochrane will also pay Williams de Broë's reasonable legal expenses.

PART VII GENERAL INFORMATION



1. Incorporation

- 1.1 The Company was incorporated and registered in Scotland under the Companies Act 1948 on 4 July 1957 as a private company limited by shares with the name Semple & Cochrane Limited and with registered number 32434. On 25 November 1996 the Company was re-registered as a public company limited by shares under the name Semple Cochrane. The principal legislation under which the Company operates is the Act.
- 1.2 The Company's registered office and head office is at 14 William Street, Paisley PA1 2NA.

2. Share Capital

- 2.1 The following table shows the authorised and issued share capital of the Company as at the date of this document and the authorised and issued share capital of the Company following the proposed increase in the authorised share capital and issue of the New Ordinary Shares:—

As at the date of this document			Immediately following the Acquisitions and the Placing	
Authorised	Issued		Authorised	Issued
£860,000	£777,778	Ordinary Shares of 10p each	£1,300,000	£873,476.6
Number	Number		Number	Number
8,600,000	7,777,778		13,000,000	8,734,766

- 2.2 During the three years preceding the date of this document, the following changes have been made to the issued and fully paid share capital of the Company:—

- (a) On 6 October 1994 the authorised share capital was £500,000 divided into 320,000 ordinary shares of £1 each, 150,000 8% non-cumulative non-voting redeemable preference shares of £1 each and 30,000 5% non-cumulative non-voting preference shares of £1 each of which 3,000 ordinary shares and all the 8% preference shares were in issue fully paid.
- (b) On 17 May 1995 the Company issued 550 ordinary shares of £1 at a price of £375 each as consideration for the acquisition of the whole of the issued share capitals of Semple & Cochrane (Aberdeen) Limited (200 ordinary shares of £1 each) and Semple & Cochrane Systems Limited (350 ordinary shares of £1 each).
- (c) On 27 June 1995:—
- (i) the authorised share capital was increased to £847,500 divided into 1,449 'A' ordinary shares of £1 each, 3,550 ordinary shares of £1 each, 150,000 8% non-cumulative non-voting redeemable preference shares of £1 each, 1 deferred share of £1 and 692,500 'A' preference shares by:—
- (a) the creation of 347,500 'A' preference shares;
- (b) the redesignation of 1,449 of the unissued ordinary shares as 1,449 'A' ordinary shares;



GENERAL INFORMATION

- (c) the redesignation of 1 unissued ordinary share as a deferred share; and
 - (d) the redesignation of 315,000 unissued ordinary shares and the 30,000 unissued 5% preference shares as 'A' preference shares;
 - (ii)
 - (a) 1,449 'A' ordinary shares were issued fully paid to 3i Group plc for £692,500;
 - (b) 692,500 'A' preference shares were issued fully paid at par amongst T A Clark, I D McKendrick and J E McKee by capitalising reserves to the sum of £692,500;
 - (c) the deferred share was issued to 3i Group plc for £507,500;
 - (d) all the 'A' preference shares were redeemed for £1,200,000; and
 - (e) 3i Group plc acquired one ordinary share from L Delaney for £400,000;
 - (iii) the one issued ordinary share owned by 3i Group plc was redesignated as an 'A' ordinary share.
 - (d) On each of 30 June 1995, 4 September 1995 and 6 October 1995 50,000 8% preference shares were purchased by the Company at par and cancelled.
 - (e) On 25 November 1996:—
 - (i) the deferred share, each of the 'A' ordinary shares of £1 and each of the ordinary shares of £1 were subdivided (and, in the case of the deferred share and 'A' ordinary shares, converted) into 10 Ordinary Shares;
 - (ii) the authorised share capital was reduced by the cancellation of all the unissued 'A' preference shares of £1 and thereafter increased to £860,000 by the creation of 8,550,000 Ordinary Shares;
 - (iii) the sum of £606,504.70 (forming part of the Company's share premium account) was capitalised and applied in paying amongst the registered holders of ordinary shares of £1, 'A' ordinary shares of £1 and the deferred share on 24 November 1996 in full at par 6,065,047 Ordinary Shares.
 - (f) On 26 November 1996 2,500,000 Ordinary Shares were issued fully paid at a price of 180 pence per share to placees procured by Williams de Broë pursuant to the placing agreement referred to in paragraph 10.1(e) below in conjunction with the admission of the Company's shares to the Official List.
- 2.3 At the Extraordinary General Meeting of the Company convened for 30 October 1997 special resolutions will be proposed, *inter alia*, to:—
- (a) increase the authorised share capital of the Company from £860,000 to £1,300,000, by the creation of 4,400,000 Ordinary Shares;
 - (b) give the Directors general and unconditional authority pursuant to Section 80 of the Act, to allot relevant securities up to an aggregate nominal amount of £200,000, provided that such authority shall expire on the date being five years after the passing of the resolution unless renewed, varied or revoked by the Company in general meeting;
 - (c) give the Directors authority, pursuant to Section 80 of the Act, (in addition to any other

GENERAL INFORMATION



such authority) to allot an aggregate of 1,550,000 New Ordinary Shares in connection with the Acquisitions and the Placing and to disapply Section 89(1) in respect of such allotments; and

- (d) empower the Directors to allot equity securities in connection with a rights issue, open offer or any other pre-emptive offer up to a nominal amount of 5 per cent. of the issued share capital in each case as if Section 89(1) of the Act did not apply, this disapplication of pre-emption rights to expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the date of passing of the resolution, if earlier.

2.4 The New Ordinary Shares, when issued, will rank *pari passu* in all respects with the existing Ordinary Shares of the Company save that they will not rank for any dividend declared, paid or made in respect of the financial year ended 30 June 1997.

2.5 As at the date of this document, options to subscribe for 193,000 Ordinary Shares are outstanding under the Executive Scheme in favour of the executive Directors (as disclosed in paragraph 4.3 below) and 23 other employees as follows:—

Date of Grant	Number of Ordinary Shares under option	Subscription Price £
10.1.97	154,000	2.64
9.4.97	39,000	2.63

All options are normally exercisable between three and ten years from the date of grant. The options were granted for nil consideration. Details of the terms of the Executive Scheme are set out in paragraph 6 below.

As at the date of this document, options to subscribe for 158,888 Ordinary Shares are outstanding under the SAYE Scheme in favour of 106 employees as follows:—

Date of Grant	Number of Ordinary Shares under option	Subscription Price £
13.1.97	158,888	1.86

The savings contracts in conjunction with which options under the SAYE Scheme have been granted commenced on 1 March 1997 and will mature on 1 March 2000. The options were granted for nil consideration. Details of the terms of the SAYE Scheme are set out in paragraph 7 below.

2.6 The provisions of Section 89(1) of the Act (to the extent not disapplied pursuant to Section 95 of the Act) confer on shareholders' pre-emption rights in respect of the allotment of equity securities which are, or are to be, paid up in cash and apply to the authorised but unissued share capital, except to the extent to be disapplied by the resolutions referred to in paragraph 2.3 above.



GENERAL INFORMATION

- 2.7 Following the passing of the resolutions at the Extraordinary General Meeting and completion of the Acquisitions and the Placing, 4,265,234 Ordinary Shares in the enlarged share capital of the Company will remain unissued, of which 45,000 Ordinary Shares are reserved for issue in connection with the exercise of options under the Executive Scheme and 47,850 Ordinary Shares are so reserved for issue under the SAYE Scheme.
- 2.8 Save as disclosed in this paragraph 2 or in paragraphs 6, 7, 9 and 10 below:—
- (a) no share or loan capital of the Company or any subsidiary undertaking has, within three years before the date of this document, been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group within the three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company; and
 - (c) neither the Company nor any other member of the Group has granted any options over its share or loan capital which remain outstanding, or has agreed conditionally or unconditionally, to grant any such options.
- 2.9 The existing Ordinary Shares are in registered form and are listed on the London Stock Exchange and no other stock exchange. The New Ordinary Shares will, when issued and fully paid, or credited as fully paid, be in registered form and will be listed on the London Stock Exchange. It is anticipated that settlement of transactions in the New Ordinary Shares may take place within the CREST system if the relevant shareholders so wish. Share certificates in respect of the New Ordinary Shares, for those who wish to receive them, are expected to be issued on 31st October 1997. No temporary documents of title will be issued.
- 2.10 None of the New Ordinary Shares has been sold or will be available, in whole or in part, to the public in conjunction with the Acquisitions.
- 2.11 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

GENERAL INFORMATION



3. Subsidiary Undertakings

Semple Cochrane is the holding company of the Group and details of its subsidiaries and subsidiary undertakings are as follows:—

Name	Per cent. held	Principal activity	Country of incorporation
Semple & Cochrane (Aberdeen) Limited	100	Dormant	Scotland
Semple & Cochrane Systems Limited	100	Dormant	England
Semple & Cochrane (M) Sdn. Bhd.	100	Dormant	Malaysia
Semple & Cochrane (Asia) Co Limited	100	Systems Engineering/ Building Services	Thailand
TV2000 Limited	100	Dormant	Scotland
Eurosat Distribution (Scotland) Limited	100	Communications Services	Scotland
Eurosat Distribution (Ireland) Limited	100	Dormant	Scotland

The registered offices of Semple & Cochrane (Aberdeen) Limited, TV2000 Limited, Eurosat Distribution (Scotland) Limited and Eurosat Distribution (Ireland) Limited are at 14 William Street, Paisley PA1 2NA. The registered office of Semple & Cochrane Systems Limited is Unit 28, The Old Mill, School Lane, Bamber Bridge, Preston PR5 6QE.

The subsidiary in Malaysia, Semple Cochrane (M) Sdn. Bhd, was incorporated on 3 January 1996. The authorised share capital of that subsidiary is M\$100,000.00 divided into 100,000 shares of M\$1.00 each. 2 shares of M\$1.00 each have been issued to Pearl Schubert and Wang Su Ho and are held in trust for the Company. Its registered office is at 155, First Floor, Wisma Stephens, Jalan Raja Chulan, 50200 Kuala Lumpur.

Shares representing 51 per cent. of Semple & Cochrane (Asia) Co Limited's issued share capital are held by Thai nationals in trust for the Company. Its registered office is at 344 Soi Rongrein Yepun, Rama IX Road, Huay Kwang, Bangapi, Bangkok 10320.

As at the close of business on 2 October 1997, being the latest reasonably practicable date prior to the publication of this document, the mid market value, as extracted from the Daily Telegraph dated 3 October 1997, of the Thai Baht was Bt50:£1 and of the Malaysian Dollar was M\$5.4312:£1.

4. Memorandum and Articles of Association

- 4.1 Clause IV(1) of the Memorandum of Association of Semple Cochrane provides that the Company's principal objects are to provide support services and apparatus for industrial and marine applications.
- 4.2 Semple Cochrane's Articles of Association ("the Articles") adopted on 25 November 1996 contain, *inter alia*, provisions to the following effect:—

(a) *Voting Rights*

Subject to the restrictions referred to below, at general meetings on a show of hands every member who (being an individual) is present in person or (being a corporation) is



GENERAL INFORMATION

present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member who is present in person or by duly authorised representative or by proxy shall have one vote for every share of which he is the holder.

Unless the Directors otherwise determine, no member shall vote at any general meeting or separate class meeting of the Company in respect of any share held by him, unless all monies payable by him in respect of that share have been paid.*

Unless the Directors otherwise determine, no member shall be entitled, in respect of shares held by him, to vote at a general meeting or a separate class meeting or to exercise any other right conferred by membership in relation to such meeting if he or any person appearing to be interested in such shares has been duly served with a notice under section 212 of the Act and fails to comply with the notice within 28 days from the date of the notice.

(b) *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, subject to the Act, the rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate class meeting of the holders of the shares of the class (but not otherwise), and may be so varied either while the Company is a going concern or during or in contemplation of a winding-up.

(c) *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends, but no dividend or interim dividend shall be payable except out of the profits of the Company available for the purpose, or in excess of the amount recommended by the Directors. Unless and to the extent that the rights attached to any shares or the terms of allotment thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amount paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may from time to time pay interim dividends of such amounts and on such dates and in respect of such period as they think fit. Any dividend unclaimed after a period of 12 years from the date such dividend is payable should, if the Directors so resolve, be forfeited and cease to remain owing by the Company.



(d) *Winding Up*

If the Company shall be wound up the liquidator may, with the authority of an extraordinary resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members and as between different classes of members. The liquidator may also vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit.

(e) *Transfer of Shares*

The instrument of transfer of a share may be in any usual form or in any other form which the Directors may approve, such an instrument shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The transferor is deemed to remain the holder of the shares concerned until the transferee's name is entered in the register of members of the Company (which registration must occur within 14 days of receipt by the Company of the instrument of transfer).

(f) *Alteration of Share Capital*

(i) The Company may by ordinary resolution:—

- (aa) increase the share capital;
- (bb) consolidate or divide its share capital into shares of a larger amount;
- (cc) subject to the provisions of the Act, subdivide its shares into smaller amounts than is fixed by the Memorandum of Association and provide such shares with such special rights as the Company has power to attach; and
- (dd) cancel any shares not taken and thereby diminish the amount of its share capital.

(ii) Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way. Subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares (neither the Company nor the Directors are required to select the shares to be purchased rateably or in any particular manner).

(g) *Directors*

(i) Number

Unless otherwise determined by an ordinary resolution, the number of Directors shall not be less than four nor more than ten.

(ii) Remuneration

The Directors (not being managing or executive Directors) shall be paid remuneration by way of fees as they may determine from time to time provided



GENERAL INFORMATION

that this is not to exceed £50,000 in aggregate per annum without the consent of the Company in general meeting. In addition, the Company may repay to any Director all such reasonable expenses as he may incur in or about the business of the Company. Any Director who is appointed to any executive office or performs special services outwith the ordinary duties of a Director may be paid such extra remuneration as the Directors may determine.

(iii) *Retirement by Rotation*

At every Annual General Meeting one-third of the Directors shall retire by rotation and are eligible for re-election. The Directors to retire at each Annual General Meeting shall include (so far as necessary to obtain the required number) those who wish to retire and do not wish to offer themselves for re-election followed by those who have been longest in office or, as between two or more Directors who have been in office an equal length of time, as (unless they otherwise agree) determined by lot.

(iv) *Executive Directors*

The Directors may appoint one or more of their number to be the holder of any executive office upon such terms as they think fit and remunerate such a Director by salary, commission or otherwise.

Proposals concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested may be divided and considered in relation to each Director separately and in such cases each Director (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(h) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiaries and subsidiary undertakings so as to secure (as regards subsidiaries and subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings by one Group member from another Group member) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed a sum equivalent to the adjusted capital and reserves (as defined in the Articles).



5. Taxation

The following paragraphs are intended as a general guide only and are based on current legislation and Inland Revenue practice.

Any person who is in doubt as to his taxation position or who is subject to taxation in any jurisdiction other than the United Kingdom should consult his professional advisers.

5.1 *Taxation of dividends*

The following summary assumes that the Company will not elect for any of its dividends to be treated as foreign income dividends. The Company has no present intention of making any such election.

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988 ("the Taxes Act").

No tax will be withheld by the Company when it pays a dividend. However, when paying a dividend, the Company has to account to the Inland Revenue for advance corporation tax, currently at the rate of one quarter of the amount of the dividend.

An individual resident in the United Kingdom for tax purposes who receives a dividend will be entitled to a tax credit currently equal to 25 per cent. of the amount of the dividend (equivalent to 20 per cent. of the aggregate of the dividend and the tax credit). The tax credit will be taken to satisfy in full the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the dividend received by an individual, together with the tax credit, is included as the top slice in arriving at the individual's total income for United Kingdom tax purposes, and the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). Exempt shareholders or others not liable to tax but who are United Kingdom residents may currently obtain a repayment of the tax credit.

From 6 April 1999, the rate of tax credit to which an individual resident in the United Kingdom for tax purposes will be entitled will fall to 11.11 per cent. of the amount of the dividend (equivalent to 10 per cent. of the aggregate of the dividend and the tax credit). The tax credit will continue to satisfy in full the individual's liability to income tax in respect of the dividend unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax in which case additional tax will be payable as explained above. The higher rate of income tax in relation to dividend income will be reduced to 32.5 per cent. from 6 April 1999, so that the additional tax payable by higher rate tax payers in relation to dividend income will continue to be 20 per cent. Also from 6 April 1999, exempt shareholders and other individuals not liable to tax will no longer be able to obtain repayment of the tax credit.



GENERAL INFORMATION

A company resident in the United Kingdom for tax purposes is not normally subject to tax on any dividend received, and the dividend received and the tax credit in respect of such dividend will normally constitute franked investment income.

Subject to certain exceptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of a share who is not resident in the United Kingdom (for the tax purposes) to re-claim any part of the tax credit relating to a dividend will depend upon the existence and terms of any double taxation treaty between the United Kingdom and the country in which that person is resident. Persons who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities (in the United Kingdom and any other country) on dividends received, whether they are entitled to re-claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax. A holder of a share who is not resident in the United Kingdom may also be subject to foreign taxation on dividends received.

5.2 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will be payable on the issue of shares unless the subscriber is a person to whom the depository receipt or clearance service charges to stamp duty reserve tax may apply. The transfer of shares of any class in the Company will, subject to any applicable exceptions, be liable to ad valorem stamp duty at the rate of 50p for every £100 (or part thereof) of the consideration paid. An agreement to transfer such shares if not completed by a duly stamped transfer within two months of the date such an agreement becomes unconditional, will be subject to stamp duty reserve tax generally at the rate of 50p per £100 (or part thereof) of the consideration paid. Liability to pay any stamp duty or stamp duty reserve tax is that of the transferee or purchaser.

5.3 *Taxation of capital gains*

United Kingdom capital gains tax (or, for companies, corporation tax on chargeable gains) generally applies only to persons resident, or ordinarily resident, in the United Kingdom and to persons not so resident who carry on a trade in the United Kingdom through a branch or agency for whose purpose the assets disposed of were held. Gains arising to holders of assets who are taxed as dealers in securities may be treated as income and taxed as such. Depending on the holder's personal circumstances, the transfer or disposal of shares may give rise to a chargeable gain or allowable loss for the purpose of United Kingdom taxation of capital gains.

6. **Executive Share Option Scheme**

On 25 November 1996 the Directors approved the adoption of the Executive Scheme. Approval was obtained from the Board of the Inland Revenue in terms of Schedule 9 to the Taxes Act on 17 December 1996. The principal terms of the Executive Scheme, which have

GENERAL INFORMATION



been designed to comply with the requirements of the Association of British Insurers, a member of the Investor Protection Committee, are as follows:—

6.1 *Eligibility*

The following (an “Executive”) will be eligible to participate in the Executive Scheme:—

- (a) any director of a company to which the Board has resolved that the Executive Scheme extends (“the participating company”), who is obliged to devote to the performance of the duties of his office or employment with the Company (or with any other participating company), substantially the whole of his working time, being not less than 25 hours a week excluding meal breaks;
- (b) any employee of a participating company.

6.2 *Grant of Options*

- (a) The Board may grant options to any Executive at any time (except that for so long as the Ordinary Shares are listed on the Official List and unless there are exceptional circumstances for doing otherwise, invitations may only be issued during the period of 28 days following announcement to the London Stock Exchange of final or interim results of the Company for any period).

No option shall be granted more than 10 years after the Executive Scheme comes into effect.

- (b) No Executive shall be entitled as of right to have an option granted to him.
- (c) An option shall not be assignable or transferable.

6.3 *Subscription Price*

- (a) If, at the relevant time, the shares are listed on the Official List, the subscription price shall not be less than the middle-market quotation of a share (as derived from the Official List) on the dealing day immediately preceding the date of issue of the invitation to apply for the grant of the option.
- (b) If (a) does not apply, the subscription price will not be less than a sum agreed with the Inland Revenue (at any time within 30 days preceding the date of grant) the market value (within the meaning of Part VIII of the Taxation of Chargeable Gains Act 1992) of the share at that time.
- (c) The subscription price shall not be less than the nominal value of a share.

6.4 *Scheme Limits*

The number of shares which are capable of being issued under the Scheme shall be limited as follows:—

- (a) the maximum number of shares to be issued pursuant to the Executive Scheme is not to exceed 230,000 Ordinary Shares;
- (b) no Executive shall be granted an option under the Executive Scheme which would, at the time it is granted, cause the aggregate market value of:



GENERAL INFORMATION

- (i) shares then issuable to him in respect of rights conferred under the Executive Scheme; and
- (ii) shares then issuable to him in respect of rights conferred under any other share option scheme (not being a savings-related share option scheme) established by the Company and approved under Schedule 9 of the Taxes Act;

to exceed (or further exceed) £30,000;

for the purposes of (ii) above, the market value of each share of the Company shall be calculated as at the time when the option in relation to that share was granted or, if an agreement relating to it has been made under paragraph 29 of Schedule 9 of the Taxes Act, such earlier time or times as may be provided in that agreement (and, without prejudice to the generality of the foregoing, shall, in relation to any option granted under the Executive Scheme, be calculated as on the day or days by reference to which the subscription price is determined).

6.5 *Exercise of Options*

Options will not normally be capable of being exercised:

- (a) prior to the third anniversary of the date of grant of the option;
- (b) if the shares are then listed on the Official List and the Executive is then employed by or holds office in a participating company, in the period of 60 days immediately preceding the announcement to the London Stock Exchange of either the interim or final results of the Company;
- (c) after the tenth anniversary of the date of grant of the option;
- (d) if and for so long as the Company is a close company, by any person when he has or had (within the period of 12 months preceding the date on which the option would be exercised) a material interest in the Company or in another company which is a close company which has control of the Company or is a member of a consortium which owns the Company; or
- (e) unless there has been an increase in earnings per share in the 3 year period prior to the proposed date of exercise of not less than 2 per cent. above the increase in the retail price index for the period.

6.6 *Lapse of Options*

An option shall lapse upon the happening of the following:

- (a) the expiry of ten years from the date of grant of the option;
 - (b) on the participant ceasing to be employed by the Company (save for those circumstances where early exercise is permissible);
 - (c) the participant becoming bankrupt or otherwise losing his right by operation of law;
 - (d) a resolution being passed or an order being made for the winding-up of the Company;
- and

GENERAL INFORMATION



- (e) one month (or such longer period, up to six months, as the Board may permit) after takeover, transfer or reconstruction of the Company.

6.7 *Variation of Capital*

In the event of any increase or variation of the share capital of the Company by way of capitalisation, rights issue, sub-division, consolidation or reduction, the Board may make such adjustments to the number of shares and the subscription price as it considers appropriate. Save in the case of a capitalisation issue, no such adjustment shall be made without the appropriate prior written confirmation of the auditors and in any event whilst the Executive Scheme is approved no such adjustment shall be made unless the Inland Revenue shall have given its prior written approval.

The Board shall give notice in writing of any adjustment to any Executive affected thereby and to the Inland Revenue.

6.8 *Administration and amendment*

The Executive Scheme shall be administered by the Board who may by resolution amend the rules subject always to the approval of the Inland Revenue. No amendment shall be made to the Executive Scheme by the Board which adversely affects any rights already acquired by a participant or, except to the extent permitted by paragraph 6.7 above, without the prior approval of the Company in general meeting.

7. **Savings-Related Share Option Scheme**

On 25 November 1996 the Directors approved the adoption of the SAYE Scheme. Approval was obtained from the Board of the Inland Revenue in terms of Schedule 9 to the Taxes Act on 6 December 1996. The principal terms of the SAYE Scheme, which have been designed to comply with the requirements of the Association of British Insurers, a member of the Investor Protection Committee, are as follows:—

7.1 *Eligibility*

The following (an "Eligible Employee") will be eligible to participate in the SAYE Scheme:—

- (a) any director of a company to which the Board has resolved that the SAYE Scheme extends ("the participating company"), who is obliged to devote to the performance of the duties of his office or employment with the Company (or with any other participating company), substantially the whole of his working time, being not less than 25 hours a week excluding meal breaks;
- (b) any employee of a participating company.

7.2 *Grant of options*

- (a) The Board may grant options to an Eligible Employee during the period of 30 days following issue of the invitation.
- (b) An option shall not be assignable or transferable.



GENERAL INFORMATION

7.3 *Limitations on grants*

The maximum number of shares to be issued pursuant to the SAYE Scheme is not to exceed 5 per cent. of the issued share capital of the Company less options granted under other share option schemes in any ten year period.

7.4 *Exercise of options*

Subsisting options may be exercised in whole or in part at any time following the earliest of the following events:

- (a) the relevant bonus date;
- (b) the death of the option holder;
- (c) the option holder ceasing to be a director or employee of any participating company by reason of injury, disability, redundancy or retirement on reaching the age of 60;
- (d) the option holder ceasing to be a director or employee of any participating company by reason only that that office or employment is in a company of which the Company ceases to have control or that office or employment relates to a business or part of a business which is transferred to a person who is neither an associated company nor a company of which the Company has control.

An option shall lapse on the earliest of the following events:

- (a) except where the option holder has died, the expiry of six months following the Bonus Date (as defined in the rules of the SAYE Scheme);
- (b) where the option holder has died during the six months following the Bonus Date, the first anniversary of the Bonus Date;
- (c) where the option holder has died before the Bonus Date, the first anniversary of his death;
- (d) unless the option holder has died, the expiry of six months after the option has become exercisable by virtue of his ceasing to be a director or employee by reason of injury or disability;
- (e) the expiry of six months after the option has become exercisable by virtue of the option holder ceasing to be a director or employee of any participating company by reason that that office is in a company of which the Company ceases to have control, or that office or employment relates to a business or part of a business which is transferred to a person who is neither an associated company nor a company of which the Company has control;
- (f) the option holder ceasing to be a director or employee of any participating company in circumstances in which the option does not become exercisable;
- (g) the option holder being adjudicated bankrupt.

7.5 *Variation of Capital*

In the event of any variation in the share capital of the Company by way of capitalisation, rights issue, sub-division, consolidation or reduction, the Board may make such adjustments to the

GENERAL INFORMATION



number of shares and the subscription price as it considers appropriate. No such adjustment may be made without the prior approval of the Inland Revenue. The aggregate amount payable on the exercise of an option in full must not be materially changed nor increased beyond the expected repayment under the savings scheme approved by the Inland Revenue at the appropriate Bonus Date, nor may the subscription price for a share be reduced below its nominal value.

7.6 *Administration and Amendment*

The SAYE Scheme shall be administered by the Board who may by resolution amend the rules, subject always to the approval of the Inland Revenue.

8. **Litigation**

- 8.1 No member of the Semple Cochrane Group is involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Semple Cochrane Group's financial position, nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Semple Cochrane Group.
- 8.2 Garvel is not involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on Garvel's financial position, nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against Garvel.
- 8.3 No member of the Forth Group is involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Forth Group's financial position, nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Forth Group.

9. **Directors' and Other Interests**

- 9.1 The Directors and their principal functions are as follows:—

Thomas Andrew Clark	Executive chairman and managing director;
Ian Dempster McKendrick	Deputy managing director;
John Eaglesham McKee	Executive director;
William Wilson Evans	Finance director;
Professor Robert Thompson Beaty	Non-executive director;
Daniel Whitelaw Wright	Non-executive director

The business address of each Director is 14 William Street, Paisley, PA1 2NA.

- 9.2 The interests of the Directors and their immediate families in the securities of the Company which have been notified to the Company under the provisions of Sections 324 or 328 of the Act, or are required to be entered into the register maintained under the provisions of Section 325 of the Act together with the interests of persons connected with a Director within the meaning of Section 346 of the Act which, if the connected person were a Director, would



GENERAL INFORMATION

otherwise be disclosed under the provisions of Sections 324, 325 or 328 and the existence of which is known or, following reasonable diligence, has been ascertained by such a Director are as at 3 October 1997, (being the latest practicable date prior to publication of this document), and will be immediately following completion of the Acquisitions and the Placing, as follows:—

Director	As at 3 October 1997			Immediately following the Acquisitions and the Placing		
	No. of	% of issued		% of issued		
	Ordinary shares	Ordinary	Share capital	Non-Ordinary	Ordinary	Share capital
	Beneficial	beneficial	Beneficial	beneficial	Shares	capital
T A Clark (Note)	344,050	630,000	4.42	8.1	1,071,012*	12.3
I D McKendrick	1,039,558	—	13.36	—	1,104,361	12.6
J E McKee	939,558	—	12.00	—	939,558	10.8
W W Evans	5,000	—	0.06	—	5,000	0.06
Professor R T Beaty	5,556	—	0.07	—	5,556	0.06
D W Wright	1,111	—	0.01	—	1,111	0.01

Note: The Ordinary Shares in which T A Clark is shown as having a non-beneficial interest are held by him in his capacity as trustee of three trusts, the beneficiaries of which are certain members of his family. *Includes non-beneficial interest.

Save as disclosed in this paragraph 9.2 and in paragraph 9.3 below, none of the Directors (or persons connected with them with the meaning of section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries.

- 9.3 The following options have been granted to Directors under the Executive Scheme and the SAYE Scheme and are currently outstanding:—

Executive Scheme	Date of Grant	No. of Ordinary Shares under option	Subscription Price (£)
T A Clark	10.1.97	11,000	2.64
I D McKendrick	10.1.97	11,000	2.64
J E McKee	10.1.97	11,000	2.64
W W Evans	10.1.97	11,000	2.64

SAYE Scheme	Date of Grant	No. of Ordinary Shares under option	Subscription Price (£)
W W Evans	13.1.97	3,929	1.86

The options granted under the Executive Scheme and the SAYE Scheme were granted for nil consideration.

GENERAL INFORMATION



- 9.4 Save as set out in paragraphs 9.2 and 9.3 above as regards the Directors' interests and set out below, as at 3 October 1997, (being the latest practicable date prior to publication of this document) and immediately following the Acquisitions and the Placing, the Company was not aware of any direct or indirect interest representing three per cent. or more of the Company's issued share capital:—

Shareholder	As at 3 October 1997		Immediately following the Acquisitions and the Placing	
	No. of Ordinary Shares	% of issued Ordinary Share Capital	No. of Ordinary Shares	% of issued Ordinary Share Capital
L Delaney	725,557	9.3	802,318	9.2
3i plc	770,000	9.9	770,000	8.8
Popeshead Nominees Limited	590,000	7.6	640,000	7.3
RBSTB Trust Company Limited	311,137	4.0	521,137	6.0

- 9.5 On 25 November 1996, each of the executive Directors entered into a service agreement with the Company as follows:—

(a) T A Clark

T A Clark is the chairman and managing director of the Company. His service agreement is for an initial period of 18 months and terminable thereafter on 6 months' notice from either party. T A Clark's salary is £115,000 per annum to be reviewed from time to time and he is entitled to a bonus in respect of each financial year of the Company of such amount as the Board shall from time to time determine. He is also entitled to a fully expensed company car, annual pension contributions into a nominated pension scheme of 25 per cent. of his basic salary and membership of any private medical insurance, permanent health insurance and death in service schemes operated by the Company from time to time.

(b) I D McKendrick

I D McKendrick is the deputy managing director of the Company. His service agreement is for an initial period of 18 months and terminable thereafter on 6 months' notice from either party. I D McKendrick's salary is £90,000 per annum to be reviewed from time to time and he is entitled to a bonus in respect of each financial year of the Company of such amount as the Board shall from time to time determine. He is also entitled to a fully expensed company car, annual pension contributions into a nominated pension scheme of 25 per cent. of his basic salary and membership of any private medical insurance, permanent health insurance and death in service schemes operated by the Company from time to time.

(c) J E McKee

J E McKee is a director of the Company. His service agreement is for an initial period of 18 months and terminable thereafter on 6 months' notice from either party. J E McKee's



GENERAL INFORMATION

salary is £85,000 per annum to be reviewed from time to time and he is entitled to a bonus in respect of each financial year of the Company of such amount as the Board shall from time to time determine. He is also entitled to a fully expensed company car, annual pension contributions into a nominated pension scheme of 25 per cent. of his basic salary and membership of any private medical insurance, permanent health insurance and death in service schemes operated by the Company from time to time.

(d) W W Evans

W W Evans is the finance director of the Company. His service agreement is for an initial period of 18 months and terminable thereafter on 6 months' notice from either party. On 1st September 1997, W W Evans' salary was increased to £70,000 per annum to be reviewed from time to time and he is entitled to a bonus in respect of each financial year of the Company of such amount as the Board shall from time to time determine. He is also entitled to a fully expensed company car, annual pension contributions into a nominated pension scheme of 3 per cent. of his basic salary and membership of any private medical insurance, permanent health insurance and death in service schemes operated by the Company from time to time.

(e) By letters of appointment dated 8 April 1997, the Company and each of the non-executive Directors formalised the terms of appointment of such Directors. Each appointment is for an initial period of 12 months (commencing on 28 November 1996) which may be extended thereafter by mutual agreement. Each non-executive Director is entitled to a fee of £12,500 per annum.

Save as disclosed in this paragraph 9.5, there are no existing or proposed agreements (whether service agreements or otherwise) between any of the Directors of the Company and any member of the Enlarged Group which do not expire or which cannot be determined by the Company without payment of compensation within one year (other than statutory compensation).

(f) The aggregate emoluments (including benefits in kind) of the Directors of the Company in respect of the financial year ended 30 June 1997 amounted to £530,746.

(g) There are no outstanding loans granted by the Company or any of its subsidiaries to any Director and no guarantees have been provided by the Company or any subsidiary for the benefit of any Director.

(h) The total emoluments receivable by the Directors will not be varied as a result of the Acquisitions.

GENERAL INFORMATION



- 9.6 No Director was interested in any contract with the Company which was effected during the year ended 30 June 1997, save as follows:—
- (a) T A Clark, I D McKendrick and J E McKee are shareholders in, and T A Clark is a director of, Garvel, to which the sum of £543,000 was paid for services provided in connection with the Ministry of Defence contract awarded to the Company for a ship condition survey and associated works. In addition, the Company paid £15,600 to Garvel for its occupation of premises in Renfrew; and
 - (b) W W Evans is a non-executive director of, and shareholder in, Acumen Management Limited, which provided accountancy, administrative and training services to the Company, for which they received an aggregate fee of £35,050. The Company intends to continue to use such services on an arms length basis on terms as determined by the Directors from time to time. Acumen Management Limited has carried out certain accountancy services for the Company in relation to the Acquisitions for which it will receive a fee of £10,000 (excluding VAT).
- 9.7 The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 9.8 No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which (a) were effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or (b) were effected by the Company or any of its subsidiaries during an earlier financial year and remain in any respect outstanding or unperformed.

10. Material Contracts

10.1 *Semple Cochrane*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Semple Cochrane Group within the two years immediately preceding the date hereof and are or may be material:

- (a) the Garvel Acquisition Agreement referred to in Part VI above;
- (b) the Forth Acquisition Agreement referred to in Part VI above;
- (c) the Placing Agreement referred to in Part VI above;
- (d) the acquisition agreement dated 11th February 1997 between (1) the Company and (2) I. Smith and Mrs I Smith pursuant to which the Company acquired the whole issued share capital of TV2000 Limited. The maximum consideration payable shall be £400,000 of which £225,000 was paid in cash on completion of the acquisition with up to £175,000 being payable over a two year period following completion based on an earn out formula;



GENERAL INFORMATION

- (e) the Placing Agreement dated 26th November 1996 between inter alia (1) the Company; (2) Williams de Broë; (3) T A Clark, I D McKendrick, J E McKee, L Delaney ("the Management Shareholders") and 3i Group plc; and (4) the Directors by which Williams de Broë agreed, subject to the conditions set out therein, to purchase or procure purchasers for the Placing Shares (as therein defined) at a price of 180 pence per share. The Placing Agreement contained restrictions on the sale by Management Shareholders for a period of one year following admission of shares in the Company to the Official List otherwise than pursuant to the placing without the prior written approval of Williams de Broë.

10.2 *Forth*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Forth Group within the two years immediately preceding the date hereof and are or may be material:—

- (a) Minute of Agreement between G J Hughes and F M D Brooshooft and the Forth Vendor dated 29 February 1996 in terms of which G J Hughes and F M D Brooshooft agreed to sell 18,000 ordinary shares of £1 each in Forth to the Forth Vendor in exchange for 18,000 ordinary shares of £1 each in the Forth Vendor;
- (b) Minute of Agreement between Forth and the Forth Vendor dated 29 February 1996 in terms of which Forth agreed to transfer certain properties and listed investments to the Forth Vendor, for a total consideration of £488,600; and
- (c) Minute of Agreement between Forth and the Forth Vendor dated 22 May 1997 in terms of which Forth agreed to transfer certain properties and listed investments to the Forth Vendor, for a total consideration of £903,600.

10.3 *Garvel*

No material contract (being a contract entered into outside the ordinary course of business) has been entered into by Garvel within the two years immediately preceding the date hereof which is or may be material.

11. **Working Capital**

The Company is of the opinion that, following completion of the Acquisitions and the Placing, and taking into account available bank facilities, the Enlarged Group has sufficient working capital for its present requirements.

12. **Indebtedness**

At the close of business on 15 September 1997, the Enlarged Group had outstanding borrowings or indebtedness in the nature of borrowings, of £2,803,272, comprising secured bank overdrafts of £1,365,387, secured bank loans of £335,231, other secured loans of £9,524, secured obligations under finance leases of £39,073 and guarantees of £1,054,057.

GENERAL INFORMATION



Save as aforesaid, and apart from intra-group liabilities, no member of the Enlarged Group had outstanding at that date any loan capital (whether issued or created but unissued), term loans or any other borrowings or indebtedness in the nature of borrowing including bank overdrafts or any liabilities under acceptance (other than normal trade bills), acceptance credits, finance leases, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

13. Interests and dealings of Rule 9 Shareholders

- 13.1 Save for the shareholdings and options set out and disclosed in paragraphs 9.2 and 9.3, respectively, and the dealings for value disclosed in paragraph 13.3 below, none of the Directors or any member of their immediate families and neither the Company nor any person acting in concert with them, nor any associate of the Company, nor any pension fund of the Company or of a subsidiary of the Company, nor any adviser to the Company (other than exempt market makers) owns, controls or is directly interested in any relevant shares of the Company or Garvel nor have they dealt for value therein in the last twelve months.

(Rule 25.3 (a), (i),(ii),(iii),(iv),(b),(c)(iii)).

- 13.2 As at the date of this document, the interests of the Rule 9 Shareholders in Garvel are set out below:—

Rule 9 Shareholder	No. of Shares	% of issued share capital
T. A. Clark	3,600	24
I. D. McKendrick	2,850	19
J. E. McKee	2,850	19
L. Delaney	2,850	19
W. L. Sinclair	2,850	19

- 13.3 Save as set out in paragraphs 9.2, 9.3, 9.4, 13.2 and this paragraph 13.3, none of the Rule 9 Shareholders or any of their immediate families nor any persons acting in concert with them owns, controls or is directly interested in any relevant shares of the Company or Garvel nor have they dealt for value therein in the last twelve months:—

- (a) L. Delaney disposed of 277,778 Ordinary Shares at 180p per share on admission of the Ordinary Shares to the Official List on 2 December 1996, and a further 35,000 Ordinary Shares at 292p per share on 20 February 1997;
- (b) T. A. Clark disposed of 138,889 Ordinary Shares at 180p per share on admission of the Ordinary Shares to the Official List on 2 December 1996, and transferred 630,000 Ordinary Shares, for nil consideration, to various family trusts on 4 April 1997; and
- (c) J. E. McKee disposed of 100,000 Ordinary Shares at 255p per share on 21 March 1997.

(Rule 24.3(a)(i),(ii),(iii)(v)(c)).



GENERAL INFORMATION

- 13.4 For the purposes of this clause 13, relevant shares mean shares or any securities convertible into, rights to subscribe for, or options (including traded options) in respect thereof and derivatives referenced to such shares or securities.
- 13.5 The Rule 9 Shareholders have not entered into any agreement, arrangement or understanding whereby the beneficial ownership of any of the Garvel Consideration Shares to which the Rule 9 Shareholders will be entitled pursuant to the Garvel Acquisition will be transferred to any other person. (Rule 24.8).
- 13.6 There is no agreement, arrangement or understanding between any of the Rule 9 Shareholders or any person acting in concert with any of them with any of the Directors, recent directors of the Company, Shareholders or recent Shareholders which has any connection with or dependence upon the Garvel Acquisition. (Rule 24.5).
- 13.7 The existing rights of the employees of the Enlarged Group will not be affected by the Garvel Acquisition. (Rule 24.1(d)).
- 13.8 The following table shows the middle market quotations for Ordinary Shares as extracted from the London Stock Exchange Daily Official List on the first dealing day of each month from 1 May 1997 to 1 October (inclusive) and on 2 October 1997 (being the latest practicable date prior to publication of this document):—

Date	Share Price
1 May 1997	287.5p
2 June 1997	311.5p
1 July 1997	297.5p
1 August 1997	313p
1 September 1997	315p
1 October 1997	313p
2 October 1997	321.5p

- 13.9 The interests of the Rule 9 Shareholders as at 3 October 1997, (being the latest practicable date prior to publication of this document), and immediately following the Acquisitions and the Placing, are, and will be, as follows:—

Rule 9 Shareholder	As at 3 October 1997	Immediately following the Acquisitions and the Placing
T. A. Clark	974,050	1,071,012
I. D. McKendrick	1,039,558	1,104,361
J. E. McKee	939,558	939,558
L. Delaney	725,557	802,318
W. L. Sinclair	—	44,441

- 13.10 The business address of L. Delaney is 2 Barons Gate, Bothwell, Glasgow, and the business address of W. L. Sinclair is James Watt Dock, Greenock. W. L. Sinclair has no other relevant business interests.

GENERAL INFORMATION



- 13.11 L. Delaney, 63, acquired Semple Cochrane in 1980 together with T. A. Clark, I. D. McKendrick and J. E. McKee and served as a director of the Company until his retirement on 31 December 1995. Following the Garvel Acquisition and save for his interest in the Company set out in paragraph 13.9 above, he has no other business interests.

14. Significant changes

- 14.1 There has been no significant change in the financial or trading position of the Semple Cochrane Group since 30 June 1997, being the end of the last financial period for which audited consolidated financial statements have been published.
- 14.2 There has been no significant change in the financial or trading position of Garvel since 30 June 1997, being the end of the last financial period for which audited financial statements for Garvel have been published.
- 14.3 There has been no significant change in the financial or trading position of the Forth Group since 31 January 1997, being the end of the last financial period for which audited consolidated financial statements for the Forth Group have been published.

15. Principal Establishments

The sole establishment of the Group which accounts for more than 10 per cent. of the net turnover of the Company is located at 14 William Street, Paisley PA1 2NA. It covers an area of 8,341 square feet and the feuhold interest in the property is owned by the Company. The Company also owns the feuhold interest in a property located at 588 Glasgow Road, Clydebank.

The Company and its subsidiaries own no other sites. The Company or its subsidiaries have the following leasehold interests:—

Location	Approximate Area sq. ft.	Rental per annum
Seaforth Centre Waterloo Quay Aberdeen AB2 1BS	1,500	£6,520
76 Grayhill Road Westfield Industrial Estate Cumbernauld G68 9HQ	8,000	£25,600
Unit 28 Bamber Bridge Preston PR5 6SY	2,500	£3,768
Unit 3 Eastern Industrial Estate Newcraighall Road Edinburgh EH15 3HS	3,000	£10,000



GENERAL INFORMATION

Location	Approximate Area sq. ft.	Rental per annum
344 Triumph Complex Building 6th Floor Soi Rongrien-Yeepon Rama 9 Road Bangkapi Bangkok 10320	1,600	Bt 360,000
30 Couper Street Glasgow G4 0TL	6,000	£20,558
Unit 7 Britannia Way Britannia Enterprise Park Lichfield	3,760	£15,000

16. General

- 16.1 The Company's registrars are Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ.
- 16.2 The total expenses of or incidental to the Acquisitions and the admission of the New Ordinary Shares which are payable by Semple Cochrane, including an introductory fee of £20,000 payable to Malcolm N Chapman in respect of the Forth Acquisition, are estimated to amount to approximately £275,000 (excluding VAT).
- 16.3 Williams de Broë have given and have not withdrawn their written consent to the issue of this document with the inclusion of the references to their name in the form and context in which they are included.
- 16.4 Rutherford Manson Dowds, Chartered Accountants, have given and not withdrawn their consent to the issue of this document with the inclusion of their reports and letter set out in Parts II, III and V and references to such reports and letter and their name in the form and context in which they appear and have authorised the contents of those reports and letter for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- 16.5 Williams de Broë, registered in England with number 2412739, is a member of The Securities and Futures Authority Limited and has its registered office at P.O. Box 515, 6 Broadgate, London EC2M 2RP. Williams de Broë is acting as sponsor in connection with admission of the New Ordinary Shares to the Official List.
- 16.6 The New Ordinary Shares have a nominal value of 10p each and are being issued, in the case of the Placing Shares, at 295p each, and otherwise at 309.4p each, being a premium in the case of the Placing Shares, of 285p each, and otherwise of 299.4p each, to their nominal value.



17. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Williams de Broë at 6 Broadgate, London EC2M 2RP up to and including 24 October 1997:—

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company for the financial years ended 30 June 1996 and 30 June 1997;
- (c) the audited accounts of Garvel for the period ended 30 June 1996 and the year ended 30 June 1997;
- (d) the audited consolidated accounts of Forth for the two years ended 31 January 1997;
- (e) the accountants' report on Garvel which appears in Part II of this document (together with the statement of adjustments relating thereto);
- (f) the accountants' report on Forth which appears in Part III of this document (together with the statement of adjustments relating thereto);
- (g) the letter from Rutherford Manson Dowds, on the pro forma statement of combined net assets of the Enlarged Group which appears in Part V of this document;
- (h) the rules of the Executive Scheme and the SAYE Scheme;
- (i) the service agreements and letters of appointment referred to in paragraph 9.5 above;
- (j) the material contracts referred to in paragraph 10 above;
- (k) the letters of consent referred to in paragraphs 16.3 and 16.4 above;
- (l) the listing particulars of the Company dated 26 November 1996;
- (m) The International Convention for Safety of Life at Sea;
- (n) letter dated 3 September 1997 from the Shipbuilders and Shiprepairers Association; and
- (o) a report dated August 1995 by First Marine International Limited on behalf of the Department of Trade and Industry.

Dated 6 October 1997



SEMPLE COCHRANE

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Paisley and District Chamber of Commerce, St. Andrews Drive, Glasgow International Airport on Thursday, 30 October, 1997 at 11.15 a.m. (or as soon thereafter as the Annual General Meeting of the Company has been concluded or adjourned) for the purposes of considering and, if thought fit, passing the following resolutions which in the case of resolutions 1 and 4 will be proposed as ordinary resolutions, and, in the case of resolutions 2, 3 and 5, as special resolutions:

1. "THAT the authorised share capital of the Company be and is hereby increased from £860,000 to £1,300,000 by the creation of an additional 4,400,000 Ordinary Shares of 10p each ("Ordinary Shares") in the capital of the Company".
2. "THAT:
 - (a) Subject to the passing of Resolution 3 set out in the Notice of the meeting at which this Resolution is to be proposed as a special resolution the acquisition of the issued share capital of Garvel pursuant to an agreement dated 29 September 1997 (the "Garvel Acquisition Agreement") as described in the circular to shareholders dated 6 October 1997 (the "Circular") be and is hereby approved, and that the Directors of the Company or a duly authorised committee thereof be and they are hereby authorised to do all such things, attend to all such matters and effect all such acts including, without limitation, the signing and/or execution of any documents and the approval of such non-material amendments or variations to the Garvel Acquisition Agreement as shall be necessary, expedient or desirable to complete or give effect to the transaction therein described any matters incidental thereto or connected therewith;
 - (b) the Directors of the Company be and are hereby unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 "the Act") (in addition and without prejudice to any other such authority) up to an aggregate nominal amount of £70,000 in connection with the Garvel Acquisition Agreement and the Placing (as described in the Circular) provided that this authority shall expire on 31 December 1999 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority granted by this Resolution has not expired;
 - (c) the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred upon them by paragraph (b) of this Resolution as if sub-section (1) of Section 89 of the Act did not apply to such allotment; and
 - (d) the waiver of the obligation under Rule 9 of the City Code on Takeovers and Mergers to make a general offer to the shareholders of the Company as a result of the allotment made pursuant to the Garvel Acquisition Agreement of Ordinary Shares of 10p each in the capital of the Company, be and is hereby approved."

SEMPLE COCHRANE — Notice of Extraordinary General Meeting



3. "THAT:

- (a) Subject to the passing of Resolution 2 set out in the Notice of the meeting at which this Resolution is to be proposed as a special resolution the acquisition of the issued share capital of Forth pursuant to an agreement dated 29 September 1997 (the "Forth Acquisition Agreement") as described in the Circular be and is hereby approved, and that the Directors of the Company or a duly authorised committee thereof be and they are hereby authorised to do all such things, attend to all such matters and effect all such acts including, without limitation, the signing and/or execution of any documents and the approval of such non-material amendments or variations to the Forth Acquisition Agreement as shall be necessary, expedient or desirable to complete or give effect to the transaction therein described and any matters incidental thereto or connected therewith;
- (b) the Directors of the Company be and are hereby unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 "the Act") (in addition and without prejudice to any other such authority) up to an aggregate nominal amount of £85,000 in connection with the Forth Acquisition Agreement and the Placing provided that this authority shall expire on 31 December 1999 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority granted by this Resolution had not expired; and
- (c) the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred upon them by paragraph (b) of this Resolution as if sub-section (1) of Section 89 of the Act did not apply to such allotment."

4. "THAT (in addition to the authorities conferred pursuant to Resolutions 2 and 3 above), the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £200,000, provided that this authority shall expire on the date being five years after the passing of this resolution unless renewed, varied or revoked by the Company in general meeting save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and provided further that this authority shall be to the exclusion of and in substitution for any such earlier authority".



SEMPLE COCHRANE — Notice of Extraordinary General Meeting

5. "THAT the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority given by Resolution (4) set out in the Notice of the meeting at which this Resolution is to be proposed as if sub-section (1) of Section 89 of the Act did not apply to such allotment and shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of ordinary shares held by them, subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws or requirements of any recognised regulatory body in any territory or otherwise; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £43,674;

provided that the foregoing power shall expire at the conclusion of the annual general meeting of the Company to be held in 1998 or on the date being 15 months after the passing of this Resolution if earlier unless renewed, varied or revoked by the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if this power has not been expired and the power conferred thereby shall be in substitution for any authority previously conferred on the Directors pursuant to Section 95 of the Act".