

Semple plc

Report and Financial Statements

30 June 2004



Registered number SC032434

Contents	Page
Directors' Report	1
Statement of Directors' Responsibilities in respect of the Financial Statements	3
Independent Auditors' Report to the members of Sample plc	4
Profit and loss account	5
Balance Sheet	6
Notes to the Financial Statements	7

Directors' report

The Directors present their annual report and financial statements for the year ended 30 June 2004.

Principal activities

The company's principal activities are the provision of engineering based support services to the Building Services, Construction, Security and Highways markets.

Review of the business

The Directors consider the results for the year to be satisfactory in view of the continuing restructuring of the business.

Results

The profit for the year after taxation amounted to £351,000 (2003: profit £17.3 million, including an exceptional gain on a novated loan of £22.75 million) which has been taken to reserves. A total of £2.0 million has been credited in the year representing amounts owed to group undertakings which do not require to be paid as they have been written-off by the corresponding group undertakings. The Directors do not recommend the payment of a dividend for the year (2003: £nil).

Directors and their interests

The Directors who held office at the end of the year were as follows:

R G McKie
E Hegarty

No Director had an interest in the share capital of the company at 1 July 2003 and 30 June 2004.

The interests of the directors in the ultimate parent undertaking at 30 June 2004, Semple Holdings Limited, are disclosed in that company's financial statements.

Employees

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

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

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 30 June 2004 the company had an average of 53 days (2003: 41 days) purchases outstanding in trade creditors.

Political and Charitable Donations

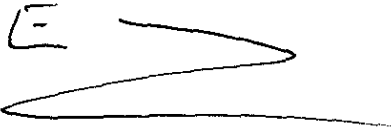
There were no political or charitable donations.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'E' followed by a long, sweeping horizontal line that curves upwards at the end.

E Hegarty
Company Secretary and Director

27 January 2005
11 Fullarton Court
Drumhead Place
Cambuslang
Glasgow
G32 8EY

Statement of directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- (d) prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Semple plc

We have audited the company's financial statements for the year ended 30 June 2004, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

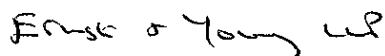
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2004 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Glasgow

27 January 2005

Profit and loss account

for the year ended 30 June 2004

	Note	2004 £000	2003 £000
Turnover	2	8,060	16,781
Cost of sales		(6,378)	(14,810)
Gross profit		1,682	1,971
Administrative expenses		(3,338)	(6,395)
Exceptional items	4	1,501	(345)
Operating loss	3	(155)	(4,769)
Interest and similar charges – bank interest	6 (a)	(164)	(675)
Interest and similar charges – exceptional items	6 (b)	-	22,749
Dividends received		670	-
Profit on ordinary activities before taxation		351	17,305
Taxation	7	-	-
Profit for the financial year		351	17,305

Statement of Total Recognised Gains and Losses

for the year ended 30 June 2004


The Company has no recognised gains and losses, other than the profits stated above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

at 30 June 2004

	Note	2004 £000	2003 £000
Fixed assets			
Tangible assets	8	48	77
Investments	9	1,203	1,730
		<u>1,251</u>	<u>1,807</u>
Current assets			
Stocks and work in progress	10	316	613
Debtors	11	1,849	3,629
Cash at bank and in hand		-	4
		<u>2,165</u>	<u>4,246</u>
Creditors: amounts falling due within one year	12	(6,575)	(9,563)
Net current liabilities		<u>(4,410)</u>	<u>(5,317)</u>
Net liabilities		<u>(3,159)</u>	<u>(3,510)</u>
Capital and reserves			
Called up share capital	13	7,668	7,668
Share premium	14	14,235	14,235
Shares to be issued	14	250	250
Capital redemption reserve	14	180	180
Capital reserve	14	318	318
Profit and loss account	14	(25,810)	(26,161)
		<u>(6,463)</u>	<u>(6,814)</u>
Equity		<u>3,304</u>	<u>3,304</u>
Non-equity			
		<u>(3,159)</u>	<u>(3,510)</u>

These financial statements were approved by the Board on 27 January 2005.


R G McKie
Chief Executive


E Hegarty
Group Finance Director

Notes to the financial statements

at 30 June 2004

1. Accounting policies

Basis of preparation

The financial statements have been prepared by the directors on the going concern basis as the company's bankers have indicated that they expect to provide facilities to support the trading requirements of the company until 31 January 2006.

Depreciation

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

Land and Buildings	-	2% (buildings only)
Leasehold Improvements	-	Over remaining term of lease
Office Equipment	-	20% to 50%
Motor Vehicles	-	25%
Plant and Machinery	-	10%

Investments

Investments held as fixed assets are stated at the lower of cost or the net realisable value of the underlying investments.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. In the case of work in progress, cost comprises the actual cost of raw materials, labour and direct overheads.

Claims for progress payments are deducted from the value of work in progress, or to the extent that they exceed this value, are disclosed as payments on account receivable in respect of contracts.

Turnover and profit is not recognised on short-term contracts until they are complete. Full provision is made for any losses in the year in which they are first foreseen.

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 comprises work certified to date. Profit from revenue derived from variations and claims on contracts is recognised only when the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Contributions to pension funds

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

Notes to the financial statements

at 30 June 2004

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax except for deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an un-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding valued added tax and in the case of long term contracts, it represents the value of work done during the year. All turnover arose within the UK.

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

3. Operating loss

	2004 £000	2003 £000
Operating loss is stated after charging:		
Depreciation of owned assets	37	49
Operating lease rentals:		
Land and buildings	158	30
Others	122	57
Profit on sale of fixed assets	-	71
Auditors' remuneration	16	30
	<u> </u>	<u> </u>

4. Exceptional items

	2004 £000	2003 £000
Amounts charged/(credited) in arriving at operating loss:		
Amounts owed to group undertakings waived	(2,028)	-
Impairment of investment	527	345
	<u>(1,501)</u>	<u>345</u>

The amounts owed to group undertakings have been credited because they were written off by the corresponding group undertakings and do not require to be paid.

Notes to the financial statements

at 30 June 2004

5. Directors and employees

	2004 £000	2003 £000
Staff costs including Directors' emoluments:		
Wages and salaries	3,624	5,188
Social security costs	354	439
Pension costs	36	66
	<u>4,014</u>	<u>5,693</u>

	2004 Number	2003 Number
Average number employed including Executive Directors:		
Operatives	56	104
Administration staff	58	68
	<u>114</u>	<u>172</u>

Directors' emoluments

	2004 £000	2003 £000
Emoluments	-	55
Members of money purchase pension scheme	-	-

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

	2004 £000	2003 £000
Emoluments	-	18

The emoluments of the directors are included in the financial statements of the ultimate parent undertaking, Seemple Holdings Limited.

Notes to the financial statements

at 30 June 2004

6. Interest payable and similar charges

	2004 £000	2003 £000
(a) Bank interest		
Loan and overdraft interest	164	675
	<u> </u>	<u> </u>
(b) Exceptional items		
Release of deferred income in respect of novated loan	-	(22,750)
Debt transferred from subsidiary undertaking	-	1,500
Debt transferred to subsidiary undertaking	-	(1,499)
	<u> </u>	<u> </u>
	-	(22,749)
	<u> </u>	<u> </u>

7. Tax on loss on ordinary activities

	2004 £000	2003 £000
UK Corporation Tax charge	-	-
	<u> </u>	<u> </u>

Factors affecting tax charge for the period:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent) as explained below:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	351	17,305
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	105	5,192
Permanent differences	(445)	(5,928)
Unrelieved tax losses	541	736
Non taxable income	(201)	-
	<u> </u>	<u> </u>
Current tax charge in period	-	-
	<u> </u>	<u> </u>

There are losses of approximately £34 million (2003: £33 million) available for offset against future taxable profits.

Deferred tax assets have not been recognised in respect of losses because there is no certainty over future taxable profits.

Notes to the financial statements

at 30 June 2004

8. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:				
1 July 2003	297	967	374	1,638
Additions	-	8	-	8
Disposals	(158)	(594)	(299)	(1,051)
30 June 2004	139	381	75	595
Depreciation:				
1 July 2003	288	899	374	1,561
Charge for year	5	32	-	37
Disposals	(158)	(594)	(299)	(1,051)
30 June 2004	135	337	75	547
Net book value:				
30 June 2004	4	44	-	48
30 June 2003	9	68	-	77

The net book value of assets held under finance lease and hire purchase contracts is £ nil (2003: nil).

9. Fixed asset investments

Investment in subsidiary undertakings:

	<i>Shares at cost</i>	<i>Amounts provided</i>	<i>Net book value</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 July 2003	10,773	(9,043)	1,730
Disposed in year	(2,625)	2,625	-
Provided in year	-	(527)	(527)
At 30 June 2004	8,148	(6,945)	1,203

No group financial statements have been prepared as the company is a subsidiary of Simple Holdings Limited for which group financial statements have been prepared.

Notes to the financial statements

at 30 June 2004

10. Stocks and work in progress

	2004	2003
	£000	£000
Work in progress	-	30
Long-term contract balances	316	583
	<u>316</u>	<u>613</u>

Long-term contract balances comprise costs to date less provisions for any losses. At the year end there were no payments on account in excess of turnover (work certified to date) which had been credited to work in progress and separate disclosure of payments to account is therefore not relevant.

11. Debtors

	2004	2003
	£000	£000
Trade debtors	1,226	2,706
Other debtors and prepayments	155	468
Amounts due by group undertakings	468	455
	<u>1,849</u>	<u>3,629</u>

12. Other creditors

	2004	2003
	£000	£000
Bank overdraft	3,478	-
Loan notes	1,353	1,492
Trade creditors	646	1,658
Other taxation and social security	219	403
Accruals	879	3,062
Amounts due to group undertakings	-	2,948
	<u>6,575</u>	<u>9,563</u>

Loan notes relate to deferred consideration on the acquisition of HPC Limited (HPC). The loan notes are bank guaranteed. The terms of repayment and interest rates applying are as follows:

Loan notes of £870,000 and £483,000 are payable on 8 April 2010 and 9 January 2013 respectively. However, the note holders may require the whole or any part of an HPC loan note to be paid at par on any interest payment date occurring more than six months after issue (together with all accrued interest) by serving notice in writing not less than 60 days before such date. Interest is payable on the loan notes at a rate of 8% per annum quarterly in arrears.

Notes to the financial statements

at 30 June 2004

13. Called up share capital

			2004 £000	2003 £000
Authorised:				
Ordinary shares of 10p each			4,721	4,721
'A' Preference shares of £1 each			3,304	3,304
			<u>8,025</u>	<u>8,025</u>
	No. of shares	No. of shares		
	2004	2003	2004	2003
	'000	'000	£000	£000
Allotted, called up and fully paid:				
Ordinary shares of 10p each	43,639	43,639	4,364	4,364
'A' Preference shares of £1 each	3,304	3,304	3,304	3,304
			<u>7,668</u>	<u>7,668</u>

The company's 'A' preference shares carry a non-cumulative dividend of 4% per annum and are redeemable at par on 1 July 2008.

14. Movement in shareholders' funds and profit and loss account

	Shareholders' deficit £000	Profit and loss account £000
At 1 July 2003		
	(26,161)	(3,510)
Profit/(loss) for the year	351	351
	<u>(25,810)</u>	<u>(3,159)</u>
At 30 June 2004		

15. Contingent liabilities and guarantees

In the normal course of business, certain customers of the company have been provided with performance bonds by the company's bankers which totalled £98,000 at 30 June 2004 (2003: £1,000,000).

The company has entered into cross guarantees with other group companies as part of its banking arrangements. At 30 June 2004 the group had net borrowings of £6,971,000 (2003: £3,522,000 of net borrowings).

Notes to the financial statements

at 30 June 2004

16. Operating lease commitments

The company has annual commitments under operating leases as follows:

	2004 <i>Land and buildings</i> £000	2004 <i>Other</i> £000	2003 <i>Land and buildings</i> £000	2003 <i>Other</i> £000
Leases expiring:				
Within one year	-	18	30	57
In two to five years	99	79	63	97
After five years	-	-	27	-
	<u>99</u>	<u>97</u>	<u>120</u>	<u>154</u>

17. Pension scheme

The company operates a defined contribution pension scheme for employees.

The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions made to the scheme during the year amounted to £10,000 (2003: £66,000).

18. Principal subsidiaries

The principal subsidiaries at 30 June 2004, which are 100% owned by the company, are listed below.

<i>Name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Type of share</i>
Semple Building Services (South) Limited*	Engineering support services	England	Ordinary
HPC Limited	Dormant	Scotland	Ordinary

Shareholdings in companies marked with an asterisk are held via another subsidiary.

19. Parent undertaking and controlling party

The company's ultimate parent undertaking at 30 June 2004 was Semple Holdings Limited. The results of the company are included in the Semple group financial statements, copies of which are available from its registered office at 11 Fullarton Court, Drumhead Place, Cambuslang, G32 8EY.

20. Cash flow statements and related party disclosures

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of the Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Semple Holdings group.