

Semple plc (formerly Semple Cochrane plc)

Report and Financial Statements

30 June 2003

Registered number SC 032434



Contents	Page
Directors' Report	1
Statement of Directors' Responsibilities in respect of the Financial Statements	3
Independent Auditors' Report to the members of Simple 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 2003.

Principal activities

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

Review of the business

The Semple Group incurred significant trading and exceptional losses during the year ended 30 June 2002 and the Company subsequently gave up its public listing in August 2002 as part of a financial restructuring exercise to strengthen its balance sheet which involved several separate transactions and was completed in April 2003. This restructuring involved new investment and removal of bank debt from the Company's balance sheet totalling £24.7million which is described in detail in Note 1 to the financial statements and which is reflected in the Company's profit and loss account for the year ended 30 June 2003 and its balance sheet at that date. The Company is now wholly owned by Semple Holdings Limited, a new private holding company created for the purpose of acquiring the shares of the Company.

Change of name

The company changed its name to Semple plc from Semple Cochrane plc on 16 October 2002.

Results

The profit for the year after taxation amounted to £17.3 million including an exceptional gain in respect of the novated loan of £22.75 million (2002: £21.5 million loss) which has been taken to reserves. The Directors do not recommend the payment of a dividend for the year (2002: £nil).

Directors and their interests

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

R G McKie	(appointed 11 September 2002)
E Hegarty	(appointed 11 September 2002)

In addition, the following Directors held office during the year :

T Allison	(resigned 7 August 2002)
I Bankier	(appointed 7 August 2002, resigned 31 January 2003)
B Bannatyne	(resigned 7 August 2002)
J Cooper	(resigned 7 August 2002)
G Fraser	(appointed 7 August 2002, resigned 31 January 2003)
R Hynd	(resigned 7 August 2002)
I Kirkpatrick	(resigned 7 August 2002)
R Lundy	(resigned 7 August 2002)
J Moore	(appointed 1 July 2001, resigned 7 August 2002)
M Smith	(resigned 7 August 2002)
D F Sutherland	(appointed 7 August 2002, resigned 31 January 2003)
M Whiteford	(appointed 7 August 2002, resigned 26 September 2002)

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

The interests of the directors in the ultimate parent undertaking at 30 June 2003, 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 6 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

Directors' report

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 2003 the company had an average of 41 days purchases outstanding in trade creditors.

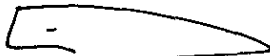
Political and Charitable Donations

Charitable donations amounted to £600 (2002: £600). There were no political donations.

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



E Hegarty
Company Secretary and Director

7 November 2003

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 (formerly Semple Cochrane plc)

We have audited the company's financial statements for the year ended 30 June 2003, 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 21. 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.

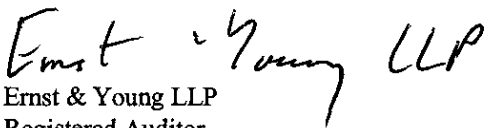
Basis of audit opinion

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 2003 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

7 November 2003

Profit and loss account

for the year ended 30 June 2003

	Note	2003 £000	2002 £000
Turnover			
Continuing operations		16,781	21,496
Discontinued operations		-	532
	3	<u>16,781</u>	<u>22,028</u>
Cost of sales		(14,810)	(19,629)
Gross profit		<u>1,971</u>	<u>2,399</u>
Administrative expenses		(6,395)	(11,704)
Exceptional items	5	(345)	(7,700)
Operating loss	4	<u>(4,769)</u>	<u>(17,005)</u>
Exceptional items	5	-	(2,405)
Loss on ordinary activities before interest and taxation		<u>(4,769)</u>	<u>(19,410)</u>
Interest and similar charges – bank interest	7 (a)	(675)	(1,360)
Interest and similar charges – exceptional items	7 (b)	22,749	(718)
Profit/(loss) on ordinary activities before taxation		<u>17,305</u>	<u>(21,488)</u>
Taxation	8	-	-
Profit/(loss) for the financial year		<u><u>17,305</u></u>	<u><u>(21,488)</u></u>

Statement of Total Recognised Gains and Losses

for the year ended 30 June 2003

The Company has no recognised gains and losses, other than the profit/(loss) stated above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

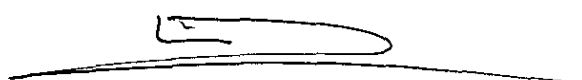
at 30 June 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	77	275
Investments	10	1,730	2,069
		<u>1,807</u>	<u>2,344</u>
Current assets			
Stocks and work in progress	11	613	1,754
Debtors	12	3,629	4,908
Cash at bank and in hand		4	1,444
		<u>4,246</u>	<u>8,106</u>
Creditors: amounts falling due within one year			
Other creditors	13	(9,563)	(33,271)
		<u>(5,317)</u>	<u>(25,165)</u>
Net current liabilities			
		<u>(3,510)</u>	<u>(22,821)</u>
Net liabilities			
		<u>(3,510)</u>	<u>(22,821)</u>
Capital and reserves			
Called up share capital	14	7,668	13,025
Share premium	15	14,235	6,872
Shares to be issued	15	250	250
Capital redemption reserve	15	180	180
Capital reserve	15	318	318
Profit and loss account	15	(26,161)	(43,466)
		<u>(6,814)</u>	<u>(34,478)</u>
Equity			
Non-equity		3,304	11,657
		<u>(3,510)</u>	<u>(22,821)</u>
Shareholders' funds deficit			
		<u>(3,510)</u>	<u>(22,821)</u>

These financial statements were approved by the Board on 7 November 2003.



R G McKie
Chief Executive



E Hegarty
Group Finance Director

Notes to the financial statements

at 30 June 2003

1. Financial restructuring

The Semple Group incurred significant trading and exceptional losses during the year ended 30 June 2002 and Semple plc subsequently de-listed in August 2002 as part of a financial restructuring exercise to strengthen the Group's balance sheet which involved several separate transactions and was completed in April 2003. The various transactions were:

On 2 August 2002 the Company converted 6,024,930 B Preference shares of 10p into the same number of Ordinary shares of 10p. On 6 August 2002 the Company issued 3,875,000 Ordinary shares of 10p each for a total of £7.75 million and on the same date redeemed 7,750,000 A Preference shares of £1 for £7.75 million.

On 7 August 2002 the Company was de-listed from the Official List of the UK Stock Exchange and on the same date the shares of the Company were sold to Semple Holdings Limited. On this date the Company also disposed of its subsidiary Bouquet Limited for a consideration of £1, realising a novation gain of £22.75 million, and the Company entered into an agreement with Bouquet, whereby £1.5million owed by Bouquet to the Bank in the form of an overdraft was transferred to the Company for nil consideration.

On 28 April 2003, the Company issued 20,000,000 Ordinary shares of 10p to Semple Holdings Limited for a total of £2.0 million. On the same date, the Company entered into an agreement with Bouquet, whereby £1.5m owed by the Company to the Bank in the form of an overdraft was transferred to Bouquet for nil consideration.

The impact of these transactions on the net assets/(liabilities) of the Company is shown in Notes 7 and 15 to the financial statements.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

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.

Notes to the financial statements

at 30 June 2003

Stocks and work in progress

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

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.

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.

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

3. 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.

Notes to the financial statements

at 30 June 2003

4. Operating loss

	2003 £000	2002 £000
Operating loss is stated after charging:		
Depreciation of owned assets	49	373
Impairment loss	-	571
Total depreciation charge	49	944
Operating lease rentals:		
Land and buildings	30	29
Others	57	32
Profit on sale of fixed assets	71	101
Auditors' remuneration	30	40

5. Exceptional items

	2003 £000	2002 £000
Recognised in arriving at operating profit:		
Impairment of investment	345	-
Impairment of goodwill	-	6,703
Impairment of tangible fixed assets	-	841
Directors' compensation for loss of office	-	587
Restructuring costs	-	(431)
	345	7,700
Recognised after arriving at operating profit:		
Loss on disposal of subsidiary	-	446
Fundamental reorganisation costs	-	1,959
	-	2,405

Notes to the financial statements

at 30 June 2003

6. Directors and employees

	2003 £000	2002 £000
Staff costs including Directors' emoluments:		
Wages and salaries	5,188	11,305
Social security costs	439	1,043
Pension costs	66	149
	<u>5,693</u>	<u>12,497</u>

	2003 Number	2002 Number
Average number employed including Executive Directors:		
Operatives	104	317
Administration staff	68	149
	<u>172</u>	<u>466</u>

Directors' emoluments

	2003 £000	2002 £000
Emoluments	55	320
Company contributions to money purchase pension scheme	-	47
Compensation for loss of office	-	616
	<u>-</u>	<u>663</u>
Members of money purchase pension scheme	-	1
	<u>-</u>	<u>1</u>

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

	2003 £000	2002 £000
Emoluments	18	139
Company contributions to money purchase pension scheme	-	19
Compensation for loss of office	-	150
	<u>-</u>	<u>168</u>

Notes to the financial statements

at 30 June 2003

7. Interest payable and similar charges

	2003 £000	2002 £000
(a) Bank interest		
Loan and overdraft interest	675	1,360
	<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)	-
Capitalised professional fees written off	-	718
	<u>(22,749)</u>	<u>718</u>

8. Tax on loss on ordinary activities

	2003 £000	2002 £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:

	2003 £000	2002 £000
Profit/(loss) on ordinary activities before taxation	17,305	(21,488)
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	5,192	(6,446)
Permanent differences	(5,928)	-
Potential future benefits not recognised	736	6,446
	<u> </u>	<u> </u>
Current tax charge in period	-	-
	<u> </u>	<u> </u>

There are losses of approximately £32 million (2002: £30 million) available for offset against future taxable profits.

Notes to the financial statements

at 30 June 2003

9. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:						
1 July 2002	549	285	910	48	374	2,166
Additions	-	12	57	-	-	69
Disposals	(549)	-	-	(48)	-	(597)
30 June 2003	-	297	967	-	374	1,638
Depreciation:						
1 July 2002	349	285	860	23	374	1,891
Charge for year	4	3	39	3	-	49
Disposals	(353)	-	-	(26)	-	(379)
30 June 2003	-	288	899	-	374	1,561
Net book value:						
30 June 2003	-	9	68	-	-	77
30 June 2002	200	-	50	25	-	275

The net book value of assets held under finance lease and hire purchase contracts is £ nil (2002: £10,000).

Notes to the financial statements

at 30 June 2003

10. Fixed asset investments

Investment in subsidiary undertakings:

	<i>Shares at cost £000</i>	<i>Amounts provided £000</i>	<i>Net book value £000</i>
At 1 July 2002	10,767	(8,698)	2,069
Written down in year	-	(345)	(345)
Arising in year	6	-	6
At 30 June 2003	<u>10,773</u>	<u>(9,043)</u>	<u>1,730</u>

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

11. Stocks and work in progress

	<i>2003 £000</i>	<i>2002 £000</i>
Work in progress	30	1,197
Long-term contract balances	583	557
	<u>613</u>	<u>1,754</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.

12. Debtors

	<i>2003 £000</i>	<i>2002 £000</i>
Trade debtors	2,706	3,464
Other debtors and prepayments	468	229
Amounts due by group undertakings	455	1,215
	<u>3,629</u>	<u>4,908</u>

Notes to the financial statements

at 30 June 2003

13. Other creditors

	2003	2002
	£000	£000
Loan notes	1,492	1,492
Trade creditors	1,658	3,361
Other taxation and social security	403	395
Accruals	3,062	3,314
Amounts due to group undertakings	2,948	1,959
Deferred income in respect of novated loan	-	22,750
	<u>9,563</u>	<u>33,271</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 £1,000,000 and £492,000 are payable on 8 April 2010 and 9 January 2013. 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 from the date of issue, at a rate of 8% per annum quarterly in arrears.

14. Called up share capital

	2003	2002
	£000	£000
Authorised:		
Ordinary shares of 10p each	4,721	3,343
'A' Preference shares of £1	3,304	11,054
'B' Preference shares of 10p each	-	603
	<u>8,025</u>	<u>15,000</u>

	No. of shares 2003 '000	No. of shares 2002 '000	2003 £000	2002 £000
Allotted, called up and fully paid:				
Ordinary shares of 10p each	43,639	13,680	4,364	1,368
'A' Preference shares of £1	3,304	11,054	3,304	11,054
'B' Preference shares of 10p each	-	6,030	-	603
			<u>7,668</u>	<u>13,025</u>

Note 1 to the financial statements includes details of the changes to the Company's capital structure. At 30 June 2003 the Company's 'A' preference shares carried a non-cumulative dividend of 4% per annum and were redeemable at par on 1 July 2008.

Notes to the financial statements

at 30 June 2003

15. Share Capital & Reserves

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Shares to be issued £000</i>	<i>Capital redemption reserve £000</i>	<i>Capital reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 July 2002	13,025	6,872	250	180	318	(43,466)	(22,821)
Issue of 3.875m 10p ordinary shares for £7.75m	387	7,363	-	-	-	-	7,750
Redemption of 7.75m £1 'A' preference shares for £7.75m	(7,750)	-	-	-	-	-	(7,750)
Issue of 20.0m 10p ordinary shares for £2.0m	2,000	-	-	-	-	-	2,000
Issue of 58,180 10p ordinary shares for £5,818	6	-	-	-	-	-	6
Profit for the year	-	-	-	-	-	17,305	17,305
At 30 June 2003	<u>7,668</u>	<u>14,235</u>	<u>250</u>	<u>180</u>	<u>318</u>	<u>(26,161)</u>	<u>(3,510)</u>

16. 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 £1,000,000 (2002: £358,000) at 30 June 2003.

The Company has entered into cross guarantees with other group companies as part of its banking arrangements. At 30 June 2003 the group had net borrowings of £3,522,000 (2002: £24,215,000 of net borrowings).

17. Contingent liabilities and guarantees

The Company has annual commitments under operating leases as follows:

	<i>2003 Land and buildings £000</i>	<i>2003 Other £000</i>	<i>2002 Land and buildings £000</i>	<i>2002 Other £000</i>
Leases expiring:				
Within one year	30	57	29	32
In two to five years	63	97	32	154
After five years	27	-	40	-
	<u>120</u>	<u>154</u>	<u>101</u>	<u>186</u>

Notes to the financial statements

at 30 June 2003

18. Pension Scheme

The Company operates a defined contribution pension scheme for Directors and 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 £66,000 (2002: £204,000).

19. Principal subsidiaries

The principal subsidiaries at 30 June 2003, 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>
HPC Limited	Power transmission and distribution systems	Scotland	Ordinary
Semple Building Services (South) Limited*	Engineering support services	England	Ordinary

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

20. Parent undertaking and controlling party

The company's ultimate parent undertaking at 30 June 2003 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.

21. 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.