Semple plc (formerly Semple Cochrane plc)

Report and Financial Statements

30 June 2002

Registered number SC 032434

Contents

Directors' report

The Directors submit their annual report and the Group financial statements for the year ended 30 June 2002.

Principal Activities

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

The Group's marine operations were sold or closed during the year.

Review of Activities, Events after the Year End and Future Developments

The Group incurred significant trading and exceptional losses during the year and the Company subsequently gave up its public listing 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. This restructuring involved new investment and removal of bank debt from the Group's balance sheet totalling £24.7 million to achieve a positive Group proforma net assets position of £0.8 million at 30 June 2002. The result of this is shown in the unaudited proforma Balance Sheet on page 7 and is described in detail in Note 1 to the financial statements.

Change of name

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

Results

The Group loss for the year after taxation, minority interest, goodwill amortisation and exceptional items amounted to £18.8 million (2001: £12.3 million loss) which has been taken to reserves. The Directors do not recommend the payment of a dividend for the year (2001: £nil).

Directors and their interests

The Directors who held office throughout the year were as follows:

T Allison	(resigned 7 August 2002)
B Bannatyne	(resigned 7 August 2002)
J Cooper	(resigned 7 August 2002)
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)
G Fraser	(appointed 25 February 2002, resigned 8 May 2002)
D F Sutherland	(appointed 25 February 2002, resigned 8 May 2002)

In addition, the following Directors were appointed after the year end:

R G McKie	(appointed 11 September 2002)
E Hegarty	(appointed 11 September 2002)
M Whiteford	(appointed 7 August 2002, resigned 26 September 2002)
I Bankier	(appointed 7 August 2002, resigned 31 January 2003)
D F Sutherland	(re-appointed 7 August 2002, resigned 31 January 2003)
G Fraser	(re-appointed 7 August 2002, resigned 31 January 2003)

Directors' report

Directors and their interests (continued)

No Director at 30 June 2002 had an interest in the share capital of the Company, other than with respect to the following share options, all of which expired on 7 August 2002. R Hynd, both at 30 June 2001 and 2002, held options for 6,000 shares (granted on 1 December 1998, exercisable between 1 December 2001 and 1 December 2008) at an option price of 265 pence, and for 197 shares (granted on 6 May 1999, exercisable between 1 June 2002 and 1 December 2002) at an option price of 365.2 pence.

Employees

The average number of employees and details of employment costs are set out in Note 7 to the financial statements. The Group gives full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Training is arranged for disabled persons, if appropriate, including retraining for alternative work for employees who become disabled to promote their career development within the organisation.

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

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 2002, the Company had an average of 28 days purchases outstanding in trade creditors.

Political and Charitable Donations

Charitable donations amounted to £600 (2001: £1,600). 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

Eamon Hegarty
Company Secretary and Director

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

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

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

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

(d) prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group 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 Group 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 Group 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 Group's financial statements for the year ended 30 June 2002, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24. 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 Group 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 Group'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 and of the group as at 30 June 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

29 April 2003

Consolidated profit and loss account

for the year ended 30 June 2002

	Note	*Before goodwill amortisation and exceptional items*	*Goodwill amortisation*	*Exceptional items (note 6)*	*Total*	
		2002	*2002*	*2002*	*2002*	*2001*
		£000	*£000*	*£000*	*£000*	*£000*
Turnover						
Continuing operations		28,650	-	-	28,650	50,369
Discontinued operations		12,367	-	-	12,367	29,638
	3	41,017	-	-	41,017	80,007
Cost of sales	4	(43,900)	-	(351)	(44,251)	(85,579)
Gross loss	4	(2,883)	-	(351)	(3,234)	(5,572)
Administrative expenses	4	(3,450)	(434)	(7,349)	(11,233)	(6,156)
Operating loss						
Continuing operations		(5,820)	(323)	(6,631)	(12,774)	(6,974)
Discontinued operations		(513)	(111)	(1,069)	(1,693)	(4,754)
	5	(6,333)	(434)	(7,700)	(14,467)	(11,728)
Continuing operations						
Fundamental re-organisation costs		-	-	(1,959)	(1,959)	-
Discontinued operations						
Loss on disposal of subsidiaries		-	-	(446)	(446)	-
Loss on ordinary activities before interest and taxation		(6,633)	(434)	(10,105)	(16,872)	(11,728)
Interest and similar charges	8	(1,360)	-	(718)	(2,078)	(1,152)
Loss on ordinary activities before taxation		(7,693)	(434)	(10,823)	(18,950)	(12,880)
Taxation	9	154	-	-	154	534
Loss on ordinary activities after taxation		(7,539)	(434)	(10,823)	(18,796)	(12,346)
Equity minority interests		-	-	-	-	2
Loss for the financial year		(7,539)	(434)	(10,823)	(18,796)	(12,344)

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2002

	2002	*2001*
	£000	*£000*
Loss for the financial year	(18,796)	(12,344)
Currency translation differences on foreign currency net investments	(29)	73
Total recognised gains and losses relating to the year	(18,825)	(12,271)

Consolidated balance sheet

at 30 June 2002

	Note	*Unaudited Proforma 2002 £000*	*2002 £000*	*2001 £000*
Fixed assets				
Intangible assets: Goodwill	10	-	-	7,296
Tangible assets	11	634	634	2,705
		634	634	10,001
Current assets				
Stocks and work in progress	13	2,579	2,579	8,530
Debtors	14	4,878	4,878	3,918
Cash at bank and in hand		4,227	-	1,377
		11,684	7,457	13,825
Creditors: amounts falling due within one year				
Bank loans and overdrafts		-	(12,290)	(4,102)
Other creditors	15	(11,470)	(11,470)	(16,862)
Net current assets/(liabilities)		214	(16,303)	(7,139)
Total assets less current liabilities		848	(15,669)	2,862
Creditors: amounts falling due outwith one year				
Bank loans	16	-	(8,233)	(7,890)
Other creditors	16	(6)	(6)	(55)
Net assets/(liabilities)		842	(23,908)	(5,083)
Capital and reserves				
Called up share capital	17	7,663	13,025	13,025
Share premium	18	14,234	6,872	6,872
Merger reserve	18	-	-	783
Shares to be issued	18	250	250	250
Revaluation reserve	18	-	-	153
Capital redemption reserve	18	180	180	180
Capital reserve	18	257	257	257
Profit and loss account	18	(21,742)	(44,492)	(26,603)
Equity		(2,462)	(35,565)	(16,740)
Non-equity		3,304	11,657	11,657
Shareholders' funds/(deficit)		842	(23,908)	(5,083)

The unaudited proforma restructured consolidated balance sheet of the Group set out above has been prepared to illustrate the effect of the refinancing transactions, which are described in Note 1 to the financial statements.

These financial statements were approved by the Board on 29 April 2003.

R G McKie
Chief Executive

E Hegarty
Group Finance Director

Company balance sheet
at 30 June 2002

	Note	Unaudited Proforma 2002 £000	2002 £000	2001 £000
Fixed assets				
Tangible assets	11	275	275	1,141
Investments	12	2,069	2,069	10,911
		2,344	2,344	12,052
Current assets				
Stocks and work in progress	13	1,754	1,754	5,579
Debtors	14	4,908	4,908	4,888
Cash at bank and in hand		3,444	1,444	11
		10,106	8,106	10,478
Creditors: amounts falling due within one year				
Bank loans and overdrafts		-	-	(2,677)
Other creditors	15	(10,521)	(33,271)	(13,855)
Net current liabilities		(415)	(25,165)	(6,054)
Total assets less current liabilities		1,929	(22,821)	5,998
Creditors: amounts falling due outwith one year	16	-	-	(7,331)
Net assets/(liabilities)		1,929	(22,821)	(1,333)
Capital and reserves				
Called up share capital	18	7,663	13,025	13,025
Share premium	19	14,234	6,872	6,872
Merger reserve	19	-	-	351
Shares to be issued	19	250	250	250
Capital redemption reserve	19	180	180	180
Capital reserve	19	318	318	318
Profit and loss account	19	(20,716)	(43,466)	(22,329)
Equity		(1,375)	(34,478)	(12,990)
Non-equity		3,304	11,657	11,657
Shareholders' funds/(deficit)		1,929	(22,821)	(1,333)

These financial statements were approved by the Board on 29 April 2003.

R G McKie
Chief Executive

E Hegarty
Group Finance Director

Consolidated cash flow statement

for the year ended 30 June 2002

	Note	*2002* *£000*	*2001* *£000*
Cash outflow from operating activities	22	(8,551)	(8,091)
Returns on investment and servicing of finance			
Interest paid		(1,410)	(1,190)
Interest received		51	145
Interest element of finance lease rental payments		(1)	(12)
		(1,360)	(1,057)
Taxation			
UK corporation tax received		154	1,521
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(183)	(409)
Receipts from sales of tangible fixed assets		267	140
		84	(269)
Acquisitions and disposals			
Sale of subsidiary undertakings		134	-
Net cash transferred with subsidiary undertakings		(174)	-
		(40)	-
Cash outflow before use of liquid resources and financing		(9,713)	(7,896)
Financing			
Costs of share issue		-	(418)
Repayment of secured loans		(94)	(322)
New secured loans received		-	4,474
Capital element of hire purchase and finance lease payments		(66)	(81)
		(160)	3,653
Decrease in cash		(9,873)	(4,243)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(9,873)	(4,243)
Cash inflow/(outflow) from increase in debt and lease financing		160	(4,071)
Change in net debt resulting from cash flows		(9,713)	(8,314)
Loans disposed of with subsidiaries		559	-
Non cash movements on loan notes		-	301
Non cash movement relating to conversion of debt to share capital		-	12,000
Non cash movement relating to the write off of capitalised professional fees		(718)	-
Translation difference		124	73
Movement in net debt in the year		(9,748)	4,060
Net debt at beginning of year		(14,539)	(18,599)
Net debt at end of year	23	(24,287)	(14,539)

Reconciliation of movements in shareholders' funds

for the year ended 30 June 2002

	Group 2002 £000	Group 2001 £000
Loss for the financial year	(18,796)	(12,344)
Shares issued in year	-	12,000
Expenses and cost of shares issued	-	(418)
Reduction in revaluation reserve	-	(65)
Other recognised gains and losses for the year	(29)	60
Total movement during the year	(18,825)	(767)
Opening shareholders' deficit	(5,083)	(4,316)
Closing shareholders' deficit	(23,908)	(5,083)

Notes to the financial statements

at 30 June 2002

1. Post balance sheet events

The Group incurred significant trading and exceptional losses during the year and the Company subsequently gave up its public listing 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 27 May 2002 the Company entered into an agreement with a wholly owned subsidiary, Bouquet Limited, whereby amounts owed to the Bank under a loan agreement together with overdrafts totalling £22.75 million were transferred to Bouquet for nil consideration.

On 2 August 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 (formerly Corrie Holdings Limited from 9 August 2002 to 16 October 2002 and RTT Holdings Limited from 16 April 2002 to 9 August 2002). On this date the Company also disposed of its subsidiary Bouquet Limited for a consideration of £1, realising a gain on disposal of £22.75 million, and the Company entered into an agreement with Bouquet, whereby £1.5m 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 Group and Company is shown in the unaudited proforma Balance Sheets on pages 7 and 8 of the financial statements and comprises:

	Group	*Company*
	£m	*£m*
Net liabilities as at 30 June 2002	(23.9)	(22.8)
Disposal of Bouquet for £1 on 7 August 2002	22.7	22.7
Debt transferred from Bouquet on 7 August 2002	(1.5)	(1.5)
Ordinary shares issued to Semple Holdings on 28 April 2003	2.0	2.0
Debt transferred to Bouquet on 28 April 2003	1.5	1.5
Net assets as shown in the unaudited proforma Balance Sheets	0.8	1.9

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the Company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax". The adoption of FRS 19 "Deferred Tax" has resulted in additional disclosures in the financial statements.

Notes to the financial statements

at 30 June 2002

2. Accounting policies (continued)

Basis of preparation (continued)

In the previous year's financial statements, creditors falling due after one year were disclosed with capital and reserves to arrive at the financing of total assets less current liabilities. This disclosure has been changed in these financial statements, and the bank loan and overdraft amounts have been separately disclosed in the group and company balance sheets, in order to better demonstrate the impact of the refinancing arrangements in the unaudited proforma balance sheets. In addition, management have reviewed the presentation of contract balances and have adjusted the previous balance sheet classification to recognise claims for progress payments as a trade debtor when work has been certified. A trade debtor was previously recognised upon application for payment. Prior year balances have been adjusted to reflect this change in policy, but this change has had no impact on the profit and loss account, net assets or net current assets.

Basis of consolidation

The Group financial statements consolidate the financial statements of Semple plc (formerly Semple Cochrane plc) and its subsidiary undertakings drawn up to 30 June each year. No profit and loss account is presented for Semple plc (formerly Semple Cochrane plc) as permitted by section 230 of the Companies Act 1985. The results of subsidiary undertakings disposed during the year have been included up to the date of disposal. Profits or losses on intra-group transactions are eliminated in full.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

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

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

The depreciation methods have been changed to more accurately reflect the consumption of economic benefits. The change in method has resulted in a £170,000 additional depreciation charge in the year.

Leases and hire purchase contracts

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

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.

Notes to the financial statements

at 30 June 2002

2. Accounting policies (continued)

***Stocks and work in progress** (continued)*

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, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- Deferred tax assets 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.

Notes to the financial statements

at 30 June 2002

3. Turnover and segmental analysis

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding valued added tax. In the case of long term contracts, it represents the value of work done during the year. Turnover was contributed as follows:

	Continuing Operations 2002 £000	*Discontinued Operations 2002 £000*	*Continuing Operations 2001 £000*	*Discontinued Operations 2001 £000*
Transport & Utility Infrastructure	14,087	1,073	18,665	11,393
Building Services	14,563	2,049	31,704	1,773
Marine	-	9,245	-	16,472
	28,650	12,367	50,369	29,638

During the year the Group sold or closed the businesses previously in the marine division. In other divisions, the amounts attributable to discontinued operations represent the completion of contracts in those operations that were closed in previous years.

Geographical area by destination

	2002 £000	*2001 £000*
UK	40,632	75,507
Asia	475	4,500
	41,107	80,007

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 2002

4. Cost of sales, gross loss and administrative expenses

	2002 Continuing operations £000	*2002 Discontinued operations £000*	*2002 Total £000*	*2001 Continuing operations £000*	*2001 Discontinued operations £000*	*2001 Total £000*
Cost of sales						
- before goodwill amortisation and exceptional items	(31,020)	(12,880)	(43,900)	(50,941)	(30,890)	(81,831)
- exceptional items	(351)	-	(351)	(1,186)	(2,562)	(3,748)
Total	(31,371)	(12,880)	(44,251)	(52,127)	(33,452)	(85,579)
Gross loss						
- before goodwill amortisation and exceptional items	(2,370)	(513)	(2,883)	(572)	(1,252)	(1,824)
- exceptional items	(351)	-	(351)	(1,186)	(2,562)	(3,748)
Total	(2,721)	(513)	(3,234)	(1,758)	(3,814)	(5,572)
Administrative expenses						
- before goodwill amortisation and exceptional items	(3,450)	-	(3,450)	(3,568)	(230)	(3,798)
- goodwill amortisation	(323)	(111)	(434)	(345)	(210)	(555)
- exceptional items	(6,280)	(1,069)	(7,349)	(1,303)	(500)	(1,803)
Total	(10,053)	(1,180)	(11,233)	(5,216)	(940)	(6,156)

Exceptional losses on discontinued activities relate to the closure or disposal of subsidiary undertakings during the year.

Notes to the financial statements

at 30 June 2002

5. Operating loss

	2002	*2001*
	£000	*£000*
Operating loss is stated after charging:		
Depreciation of owned assets	482	935
Depreciation of assets held under finance leases and hire purchase contracts	55	66
Impairment loss	841	-
Total depreciation charge	1,378	1,001
Operating lease rentals:		
Land and buildings	176	400
Others	245	639
Profit on sale of fixed assets	96	52
Amortisation of goodwill	434	555
Impairment of goodwill	6,703	500
Auditors' remuneration - audit services	80	165
Auditors' remuneration - non-audit services	617	425
Of which capitalised	-	(130)
	697	460

Of Ernst & Young LLP's remuneration stated above in respect of audit services £55,000 (2001 - £100,000) relates to the Company.

6. Exceptional items

	2002	*2001*
	£000	*£000*
Recognised in arriving at operating profit:		
Impairment of goodwill	6,703	500
Losses arising on contracts	-	3,748
Impairment of tangible fixed assets	841	-
Directors' compensation for loss of office	587	-
Restructuring costs	(431)	1,303
	7,700	5,551
Recognised below operating profit:		
Fundamental re-organisation costs	1,959	-
Loss on disposal of subsidiaries	446	-
	2,405	-
Financial charges:		
Capitalised professional fees written off	718	-
	10,823	5,551

Fundamental re-organisation costs and the write off of capitalised professional fees arose as a result of the group re-organisation as explained in note 1.

Notes to the financial statements

at 30 June 2002

7. Directors and employees

	2002	*2001*
	£000	*£000*
Staff costs including Directors' emoluments:		
Wages and salaries	16,145	18,926
Social security costs	1,551	1,713
Pension costs (Note 21)	204	115
	17,900	20,754

	Number	Number
Average number employed including Executive Directors:		
Operatives	475	685
Administration staff	191	193
	666	878

Directors' emoluments

	2002	*2001*
	£000	*£000*
Emoluments	550	508
Company contributions to money purchase pension scheme	59	19
Compensation for loss of office	616	-
Members of money purchase pension scheme	4	4

Included within the compensation for loss of office is £29,000 being the estimated market value of motor vehicles given to former directors of the company.

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

	2002	*2001*
	£000	*£000*
Emoluments	139	158
Company contributions to money purchase pension scheme	19	-
Compensation for loss of office	150	-

Notes to the financial statements

at 30 June 2002

8. Interest payable and similar charges and interest receivable

	2002	*2001*
	£000	*£000*
Bank loan and overdraft interest	1,410	1,190
Hire purchase and finance lease interest	1	12
Amortisation of loan note discount	-	95
Capitalised professional fees written off	718	-
Interest payable	2,129	1,297
Interest receivable	(51)	(145)
	2,078	1,152

9. Tax on loss on ordinary activities

	2002	*2001*
	£000	*£000*
Corporation Tax credit - prior year	(154)	(534)

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). The differences are explained below:

	2002	*2001*
	£000	*£000*
Loss on ordinary activities before taxation	(18,950)	(12,880)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(5,685)	(3,864)
Adjustment to tax charge in respect of prior periods	(154)	(534)
Permanent differences	1,981	(200)
Potential future benefits not recognised	3,704	4,064
Current tax credit in period	(154)	(534)

There are losses of approximately £30 million (2001: £24 million) available for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses. Whether the losses are utilised in the future will depend on future profits and the companies in which they arise within the group.

Notes to the financial statements

at 30 June 2002

10. Intangible assets: goodwill

	£000
Group	
Cost:	
1 July 2001	11,079
Disposals during the year	(3,732)
30 June 2002	7,347
Amortisation:	
1 July 2001	3,783
Disposals in the year	(3,573)
Charge for year	434
Impairment	6,703
30 June 2002	7,347
Net book value	
30 June 2002	-
30 June 2001	7,296

Impairment has been calculated by reference to the value in use of the income generating units in question, using a rate of 12 per cent. to discount future expected cash flows.

Notes to the financial statements

at 30 June 2002

11. Tangible fixed assets

Group

	Freehold land and buildings	*Leasehold improvements*	*Office equipment*	*Motor vehicles*	*Plant and machinery*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost or valuation:						
1 July 2001 - cost	541	746	1,133	877	3,116	6,413
- valuation	281	-	16	83	177	557
	822	746	1,149	960	3,293	6,970
Additions	-	6	159	18	-	183
Disposals	(35)	(137)	(4)	(239)	(42)	(457)
Disposal of subsidiary undertakings	-	(215)	(144)	(174)	(1,711)	(2,244)
30 June 2002	787	400	1,160	565	1,540	4,452
Of which valuation	281	-	-	-	-	281
Depreciation:						
1 July 2001	279	307	576	645	2,458	4,265
Impairment	82	155	404	23	177	841
Charge for year	16	48	223	118	132	537
Disposals	(4)	(57)	(2)	(214)	(9)	(286)
Disposal of subsidiary undertakings	-	(53)	(86)	(118)	(1,282)	(1,539)
30 June 2002	373	400	1,115	454	1,476	3,818
Net book value:						
30 June 2002	414	-	45	111	64	634
30 June 2001	543	439	573	315	835	2,705

Impairment has been calculated by reference to the value in use of the income generating units in question, using a rate of 12 per cent. to discount future expected cash flows.

The net book value of assets held under finance lease and hire purchase contracts is £10,000 (2001: £203,000).

Notes to the financial statements

at 30 June 2002

11. Tangible fixed assets (continued)

Group

On adoption of FRS 15, the group has followed the transitional provisions to retain the book value of the revalued asset, but not to adopt a policy of revaluation in the future. The value is retained subject to the requirement to test assets for impairment in accordance with FRS 11.

On a historical cost basis fixed assets would have been included as follows:

	Freehold land and buildings £000	*Office equipment £000*	*Motor vehicles £000*	*Plant and machinery £000*
Cost:				
1 July 2001	670	1,140	924	3,272
At 30 June 2002	635	1,160	565	1,540
Cumulative depreciation based on cost:				
1 July 2001	267	573	629	2,419
At 30 June 2002	351	1,115	454	1,476

Notes to the financial statements

at 30 June 2002

11. Tangible fixed assets (continued)

Company

	Freehold land and buildings £000	*Leasehold improvements £000*	*Office equipment £000*	*Motor vehicles £000*	*Plant and machinery £000*	*Total £000*
1 July 2001 - cost	303	417	720	48	374	1,862
- valuation	281	-	-	-	-	281
	584	417	720	48	374	2,143
Additions	-	6	190	18	-	214
Disposals	(35)	(138)	-	(18)	-	(191)
30 June 2002	549	285	910	48	374	2,166
Of which valuation	281	-	-	-	-	281
Depreciation						
1 July 2001	260	160	271	6	305	1,002
Impairment	82	148	295	9	37	571
Charge for year	11	17	294	19	32	373
Disposals	(4)	(40)	–	(11)	-	(55)
30 June 2002	349	285	860	23	374	1,891
Net book value						
30 June 2002	200	-	50	25	-	275
30 June 2001	324	257	449	42	69	1,141

The net book value of assets held under finance lease and hire purchase contracts is £10,000 (2001: £nil).
On a historical costs basis, freehold land and buildings would have been included as follows:

	Freehold land and buildings £000
Cost:	
At 1 July 2001	519
At 30 June 2002	484
Cumulative depreciation based on cost:	
At 1 July 2001	188
At 30 June 2002	277

Notes to the financial statements

at 30 June 2002

12. Fixed asset investments

(a) Company

Investment in subsidiary undertakings:

	Shares at cost £000	*Amounts provided £000*	*Net book value £000*
At 1 July 2001	14,631	(3,720)	10,911
Disposal	(3,864)	1,864	(2,000)
Arising in year	–	(6,842)	(6,842)
At 30 June 2002	10,767	(8,698)	2,069

(b) Semple plc (formerly Semple Cochrane plc) is the holding Company of the Group and details of its main trading subsidiaries are detailed in note 24.

The Company has taken advantage of the exemption conferred by Section 233(5) of the Companies Act 1989 to give information only for those undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures shown in the annual financial statements.

On 15 April 2002 the Group completed the sale of Garvel Clyde Limited and the Forth Group which comprised the sale of Forth Estuary Engineering Limited, Firth Painters Limited, Port Electrical Services Limited, Marine Propellers Limited, Scott Reuter Limited, Grangemouth Ship Repairs Limited and Opal Marine Limited. The disposal is analysed as follows:

	Forth Group £000	*Garvel Clyde £000*	*Total £000*
Net assets disposed of:			
Fixed assets	200	462	662
Stock/work in progress	147	141	288
Debtors	437	214	651
Cash at bank and in hand	1	2	3
Bank overdraft	(43)	(631)	(674)
Creditors	(305)	(379)	(684)
Goodwill	156	3	159
	593	(188)	405
Loss on disposal			(271)
			134
Satisfied by:			
Cash			134

Notes to the financial statements

at 30 June 2002

12. Fixed asset investments (continued)

In March 2002, the Directors concluded that the Group no longer had control over Semple Cochrane (Asia) Limited and therefore its results are not consolidated within the overall group financial statements from that date. The amounts owed by Semple Cochrane (Asia) Ltd to Semple plc, amounting to £161,000 together with the cost of its investment of £283,000, have been fully provided in the financial statements of Semple plc. These transactions represent the only transactions with Semple Cochrane (Asia) Ltd in the year ended 30 June 2002.

The disposal is analysed as follows:

	£000
Fixed assets	43
Stocks/work in progress	56
Debtors	524
Cash at bank and in hand	845
Creditors	(734)
Loans	(559)
	175
Loss on disposal	(175)
	-

During the year Garvel Clyde Limited, the Forth Group and Semple Cochrane (Asia) Limited utilised £122,000 of the group's net operating cash flows.

13. Stocks and work in progress

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
Raw materials	35	-	-	-
Work in progress	1,455	6,343	1,197	4,171
Long-term contract balances	1,089	2,187	557	1,408
	2,579	8,530	1,754	5,579

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.

Notes to the financial statements

at 30 June 2002

14. Debtors

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
Trade debtors	4,520	2,664	3,464	1,253
Other debtors and prepayments	358	1,254	229	451
Amounts due by subsidiary undertakings	-	-	1,215	3,184
	4,878	3,918	4,908	4,888

15. Other creditors

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
Loan notes	3,692	3,300	1,492	1,100
Contingent loan notes	-	486	-	486
Trade creditors	3,392	7,043	3,361	6,453
Other taxation and social security	575	1,353	395	927
Accruals	3,745	4,597	3,314	2,689
Obligations under finance leases and hire purchase contracts	66	83	-	-
Amounts due to subsidiary undertakings	-	-	1,959	2,200
Deferred income in respect of novated loan	-	-	22,750	-
	11,470	16,862	33,271	13,855

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

Notes to the financial statements

at 30 June 2002

16. Creditors: amounts falling due outwith one year

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
Bank loans	8,233	7,890	-	7,331
Obligations under finance lease and hire purchase contracts	6	55	-	-
	8,239	7,945	-	7,331

Bank overdrafts, loans and loan notes at 30 June 2002 are repayable as follows:

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
In one year or less, or on demand (note 15)	17,551	7,888	1,492	6,463
In more than one year but not more than two years	-	2,052	-	1,493
In more than two years but not more than five years	8,233	4,770	-	2,570
In more than five years	-	1,068	-	1,068
	25,784	15,778	1,492	11,594
Represented by:				
Bank overdrafts	13,859	3,918	-	2,493
Bank loans	8,233	8,074	-	7,515
Deferred loan notes	3,692	3,300	1,492	1,100
Contingent loan notes	-	486	-	486
	25,784	15,778	1,492	11,594

At 30 June 2002, amounts repayable in more than two years but not more than five years relate to bank loans which are scheduled for repayment in March 2007 and attract a rate of interest of 2% above Bank of Scotland base rate.

Bank loans, including loans and overdrafts due within one year, are secured by a floating charge over the assets of the Group. Performance bonds exist between the Company and various third parties under normal contractual terms.

Note 1 to the financial statements includes details of bank loans and overdrafts transferred to a subsidiary, Bouquet Limited, and subsequently outwith the Group after the year-end as part of the financial restructuring exercise.

Notes to the financial statements

at 30 June 2002

16. Creditors: amounts falling due outwith one year (continued)

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

	Group 2002 £000	*Group 2001 £000*	*Company 2002 £000*	*Company 2001 £000*
In the next year (note 15)	66	83	-	-
In the second to fifth year	6	55	-	-
	72	138	-	-

Loan notes relate to deferred considerations on the acquisitions of C&C Electrical Engineering Limited (C&C) and HPC Limited (HPC). The loan notes are bank guaranteed. The terms of repayment and interest rates applying to each of the loan notes are as follows:

C&C – Loan notes of £2,200,000 are payable on 30 September 2004. However, the note holders may require the whole or any part of a C&C 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. The loan notes were issued in September 2001. Interest is payable quarterly in arrears from 23 July 2001, at a rate of 6% per annum for the first 12 months, 5.5% per annum for the second 12 months and 5% per annum for the remaining period up to 30 September 2004.

HPC – A deferred sum of £1,492,000 is payable on the 11th anniversary of the date of issue on 9 April 1999. 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 deferred consideration from the date of issue, at a rate of 8% per annum quarterly in arrears.

Notes to the financial statements

at 30 June 2002

17. Called up share capital

	2002 £000	2001 £000
Group and Company		
Authorised:		
Ordinary shares of 10p each	3,343	3,343
'A' Preference shares of £1	11,054	11,054
'B' Preference shares of 10p each	603	603
	15,000	15,000

	No. of shares 2002 '000	*No. of shares 2001 '000*	*2002 £000*	*2001 £000*
Allotted, called up and fully paid:				
Ordinary shares of 10p each	13,680	13,680	1,368	1,368
'A' Preference shares of £1	11,054	11,054	11,054	11,054
'B' Preference shares of 10p each	6,030	6,030	603	603
			13,025	13,025

Note 1 to the financial statements includes details of changes to the Company's capital structure after the year-end. At 30 June 2002, however, the rights attaching to the Company's preference shares were:

> The 'A' preference shares had a nominal value of £1, carried a non-cumulative dividend of 4% per annum and were redeemable at par on 1 July 2008.
>
> The 'B' Preference shares had a nominal value of 10p and were convertible at that price into Ordinary shares at any time at the option of the holder. To the extent that they were not converted, they were redeemable at par on 1 July 2008.

At 30 June 2002, the Company had agreed to grant the Bank of Scotland, at its option, rights to participate in the future issue of shares by the Company so that the Bank may avoid dilution of its holding from time to time of Ordinary shares. The Bank's anti-dilution rights pursuant to the Conversion Agreement did not extend to its holding of Preference shares, save to the extent that the 'B' Preference shares had been converted into Ordinary shares. As disclosed in Note 1, following the financial restructuring which was completed in April 2003, the Company is now a wholly owned subsidiary of Semple Holdings Limited and the Bank's right to participate in the future issue of shares of the Company was removed as part of the restructuring.

Notes to the financial statements

at 30 June 2002

17. Called up share capital (continued)

Similarly, all options for the purchase of shares in the Company lapsed on 7 August 2002 as part of the financial restructuring, although it is necessary to disclose the following options over the 10 pence Ordinary shares which were outstanding at 30 June 2002.

Date offered	*No. of shares*	*Option price pence*	*Period exercisable*
10/01/1997	47,000	264.00	10/01/2000 - 10/01/2007
09/04/1997	8,000	263.00	09/04/2000 - 09/04/2007
29/11/1997	20,000	360.00	29/11/2000 - 29/11/2007
01/12/1998	17,000	265.00	01/12/2001 - 01/12/2008
10/04/1999	63,855	456.50	10/04/2002 - 10/04/2009
06/05/1999	27,331	365.00	01/06/2002 - 01/12/2002
11/05/1999	14,000	430.00	11/05/2002 - 11/05/2009
	197,186		

In March 2000 the Company established a qualifying employee share ownership trust (the QUEST) to acquire ordinary shares of the Company for supply to employees exercising the above share options under the share option schemes above. The trustee of the QUEST is Semple Cochrane Trustees Limited, which is a wholly owned subsidiary of the Company. All UK based employees of the Group, (including Executive Directors), are potential beneficiaries under the QUEST.

The difference between the cost and the option price receivable has been eliminated against the profit and loss account reserve of the Company. At 30 June 2002 the QUEST held 59,801 (2001: 59,801) shares of 10p each. These were valued at 5 pence per share. The QUEST has waived its rights to dividends.

In accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes" the Company has taken advantage of the exemption contained therein in respect of accounting for the discount arising on the grant of options in the Company's Inland Revenue approved Savings Related Option Scheme.

Notes to the financial statements

at 30 June 2002

18. Reserves

	Share premium £000	*Merger reserve £000*	*Shares to be issued £000*	*Revaluation reserve £000*	*Capital Redemption reserve £000*	*Capital reserve £000*	*Profit and loss account £000*
Group							
At 1 July 2001	6,872	783	250	153	180	257	(26,603)
Transfer from merger reserve	-	(783)	-	-	-	-	783
Disposal of subsidiary undertakings	-	-	-	(153)	-	-	153
Foreign Exchange	-	-	-	-	-	-	(29)
Loss for the year	-	-	-	-	-	-	(18,796)
At 30 June 2002	6,872	-	250	-	180	257	(44,492)

The balance of shares to be issued at 30 June 2002 relates to 58,180 shares to be issued in connection with the acquisition of C&C Electrical Engineering Limited.

	Share premium £000	*Merger reserve £000*	*Shares to be issued £000*	*Capital redemption reserve £000*	*Capital reserve £000*	*Profit and loss account £000*
Company						
At 1 July 2001	6,872	351	250	180	318	(22,329)
Transfer from merger reserve	-	(351)	-	-	-	351
Loss for the year	-	-	-	-	-	(21,488)
At 30 June 2002	6,872	-	250	180	318	(43,466)

The Company's loss before dividends was £21,488,000 (2001: £10,602,000 loss).

19. Contingent liabilities and guarantees

Certain customers of the Group have been provided with performance bonds by the Group's bankers. At 30 June 2002 the total contingent liabilities in respect of such bonds was £358,000 (2001: £1,305,000).

The Company has entered into cross guarantees with other Group companies as part of its banking arrangements. At 30 June 2002 there was a contingent liability in respect of net borrowings of £1,465,000 (2001 - £10,615,000 of net borrowings).

Notes to the financial statements

at 30 June 2002

20. Operating Lease Commitments

The Group has annual commitments under operating leases as follows:

	2002 Land and buildings £000	*2002 Other £000*	*2001 Land and buildings £000*	*2001 Other £000*
Leases expiring:				
Within one year	29	185	20	81
In one to five years	32	236	73	302
After five years	40	-	169	-
	101	421	262	383

21. Pension Scheme

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

The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions made to the scheme during the year amounted to £204,000 (2001: £115,000).

The unpaid contributions outstanding at the year end, included in Accruals (note 15), are £18,000 (2001: £Nil).

22. Reconciliation of operating loss to net cash flows

	2002 £000	*2001 £000*
Operating loss	(14,467)	(11,728)
Cost of fundamental restructuring	(1,959)	-
Depreciation of tangible fixed assets	537	1,001
Impairment of tangible fixed assets	841	-
Amortisation of goodwill	434	555
Impairment of goodwill	6,703	500
Profit on sale of tangible fixed assets	(96)	(52)
Decrease/(increase) in stocks	5,607	(201)
(Increase)/decrease in operating debtors and prepayments	(2,135)	5,405
Decrease in operating creditors and accruals	(4,016)	(3,571)
	5,916	3,637
Net cash outflow from operating activities	(8,551)	(8,091)

Net cash outflows from operating activities include cash outflows relating to exceptional items totalling £1,378,000 (2002: £3,993,000).

Notes to the financial statements

at 30 June 2002

23. Analysis of net debt

	At 1 July 2001 £000	Cash flow £000	Disposal of subsidiary undertakings £000	Non cash movements £000	Translation Difference £000	At 30 June 2002 £000
Cash at bank and in hand	1,377	(1,377)	-	-	-	-
Bank overdrafts	(3,918)	(8,496)	-	-	124	(12,290)
	(2,541)	(9,873)	-	-	124	(12,290)
Debt due within 1 year:						
Bank loans	(184)	-	-	184	-	-
Deferred loan notes	(3,300)	94	-	(486)	-	(3,692)
Contingent loan notes	(486)	-	-	486	-	-
Debt due outwith 1 year:						
Bank loans	(7,890)	-	559	(902)	-	(8,233)
Finance leases and hire purchase contracts	(138)	66	-	-	-	(72)
	(11,998)	160	559	(718)	-	(11,997)
Total	(14,539)	(9,713)	559	(718)	124	(24,287)

24. Principal subsidiaries

The principal subsidiaries at 30 June 2002, all of which were 100% owned by the Company, are listed below. Shareholdings in companies marked with an asterisk are held via another subsidiary.

Name	*Principal activity*	*Country of incorporation*	*Type of share*
HPC Limited	Power transmission and distribution systems	Scotland	Ordinary
C&C Electrical Engineering Limited*	Engineering support services	England	Ordinary
Bouquet Limited	Non-trading	Scotland	Ordinary
ACI Limited	Data & Voice cabling	Scotland	Ordinary