

FIRTH PAINTERS LIMITED

Report and Financial Statements

30 June 1999

Deloitte & Touche
17 Blythswood Square
Glasgow
G2 4AD



REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	7
Notes to the accounts	8

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr T A Clark
G J Hughes
W W Evans

SECRETARY

R J Hynd

REGISTERED OFFICE

14 William Street
Paisley
Renfrewshire
PA1 2NA

BANKERS

Clydesdale Bank PLC
Dunn Square Branch
1 Causewayside Street
Paisley
PA1 1BH

SOLICITORS

MacRoberts
Solicitors
27 Melville Street
Edinburgh
EH3 7JF

AUDITORS

Deloitte & Touche
17 Blythswood Square
Glasgow
G2 4AD

DIRECTORS' REPORT

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

ACTIVITIES

The company's principal activity during the year was the coating and protection of marine structures.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £87,741 (1998 - £47,219).

The Directors recommend that no dividend be paid (1998 - £54,000) and accordingly, the balance of £87,741 be transferred to reserves.

FUTURE PROSPECTS

The Directors consider that the results for the year and the financial position at 30 June 1999 are satisfactory and that the prospects for the future of the company remain healthy.

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1. No Director had any interest in the share capital of the company at 1 July 1998 and 30 June 1999.

The interests of the Directors in the shares of the immediate parent company and the ultimate parent company are shown in those companies' financial statements.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose the company to further risks in the event that there is a failure by other parties to remedy their own Year 2000 issues.


The company has recognised the potential issues arising from the year 2000 and is investigating the upgrading of its IT and computer based systems. A replacement programme has already commenced to upgrade all areas of IT and other computer based applications as appropriate.

The incremental costs in relation to this exercise are not expected to be significant.

AUDITORS

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

Approved by the Board of Directors
and signed on behalf of the Board



R J Hynd
Secretary

1 October 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the 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. 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.



AUDITORS' REPORT TO THE MEMBERS OF

FIRTH PAINTERS LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of Directors and auditors

As described on page 3 the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 the company's affairs at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

1 October 1999

PROFIT AND LOSS ACCOUNT
Year ended 30 June 1999

	Note	Year to 30.6.99 £	17 months to 30.6.98 £
TURNOVER: continuing operations	2	1,433,246	695,458
Cost of sales		(1,187,458)	(527,039)
Gross profit		245,788	168,419
Administrative expenses		(91,921)	(112,171)
OPERATING PROFIT: continuing operations	3	153,867	56,248
Interest payable and similar charges	5	(19,857)	(354)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		134,010	55,894
Tax on profit on ordinary activities	6	(46,269)	(8,675)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		87,741	47,219
Dividends	7	-	(54,000)
Retained profit/(loss) for the financial year/period		87,741	(6,781)
Retained profit brought forward		373,620	380,401
Retained profit carried forward		461,361	373,620

PROFIT AND LOSS ACCOUNT (continued)
Year ended 30 June 1999

**STATEMENT OF TOTAL RECOGNISED
 GAINS AND LOSSES**

	Year to 30.6.99 £	17 months to 30.6.98 £
Profit for the financial year/period	87,741	47,219
Unrealised surplus on revaluation of properties	-	30,648
	<hr/>	<hr/>
Total recognised gains and losses relating to the year/period	<u>87,741</u>	<u>77,867</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year/period	87,741	47,219
Dividends	-	(54,000)
	<hr/>	<hr/>
Surplus on revaluation of properties	-	30,648
	<hr/>	<hr/>
Net addition to shareholders' funds	87,741	23,867
	<hr/>	<hr/>
Opening shareholders' funds	405,108	381,241
	<hr/>	<hr/>
Closing shareholders' funds	<u>492,849</u>	<u>405,108</u>

BALANCE SHEET
30 June 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	8	46,435	44,874
Investments	9	251,915	251,915
		<u>298,350</u>	<u>296,789</u>
CURRENT ASSETS			
Work in progress		37,038	8,230
Debtors	10	963,513	568,922
Cash at bank and in hand		2,055	499
		<u>1,002,606</u>	<u>577,651</u>
CREDITORS: amounts falling due within one year	11	<u>(808,107)</u>	<u>(469,332)</u>
NET CURRENT ASSETS		<u>194,499</u>	<u>108,319</u>
		<u>492,849</u>	<u>405,108</u>
CAPITAL AND RESERVES			
Called up share capital	12	840	840
Profit and loss account		461,361	373,620
Revaluation reserve	13	30,648	30,648
Total equity shareholders' funds		<u>492,849</u>	<u>405,108</u>

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

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention except for certain fixed assets which are included at valuation.

The company has taken advantage of the exemption in Financial Reporting Statement No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking who prepares a consolidated cash flow statement dealing with the cash flows of the group.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	20% reducing balance
Motor vehicles	25% reducing balance

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

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 work carried out at the year end by recording turnover and related cost, as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when the final outcome can be assessed with reasonable certainty. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

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

Operating leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the principal activity, the coating and protection of marine structures.

NOTES TO THE ACCOUNTS
Year ended 30 June 1999

3. OPERATING PROFIT

	Year to 30.6.99 £	17 months to 30.6.98 £
Operating profit is after charging:		
Depreciation – owned assets	11,908	13,806
Auditors' remuneration	2,000	800
Rentals under operating leases	14,097	12,043

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year to 30.6.99 £	17 months to 30.6.98 £
Directors' emoluments	7,000	15,536
	No	No
Average number of persons employed		
Manufacturing and installation	19	12
Sales and management	1	1
	20	13
	£	£
Staff costs during the year/period (including directors)		
Wages and salaries	348,205	252,866
Social security costs	51,092	23,413
	399,297	276,279

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 30.6.99 £	17 months to 30.6.98 £
Bank overdraft interest	19,857	354

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year to 30.6.99 £	17 months to 30.6.98 £
United Kingdom corporation tax at 31% (1998 – 31%) based on the profit for the year/period	42,000	8,675
Adjustments to prior periods' tax provisions	4,269	-
Corporation tax	<u>46,269</u>	<u>8,675</u>

7. DIVIDENDS

	Year to 30.6.99 £	17 months to 30.6.98 £
Interim paid - £Nil per ordinary share (1998 - £64.28)	<u>-</u>	<u>54,000</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation			
At 1 July 1998	65,524	15,266	80,790
Additions	<u>13,469</u>	<u>-</u>	<u>13,469</u>
At 30 June 1999	<u>78,993</u>	<u>15,266</u>	<u>94,259</u>
Accumulated depreciation			
At 1 July 1998	34,432	1,484	35,916
Charge for the year	<u>8,463</u>	<u>3,445</u>	<u>11,908</u>
At 30 June 1999	<u>42,895</u>	<u>4,929</u>	<u>47,824</u>
Net book value			
At 30 June 1999	<u>36,098</u>	<u>10,337</u>	<u>46,435</u>
At 30 June 1998	<u>31,092</u>	<u>13,782</u>	<u>44,874</u>

Shirlaw, Allan & Company Limited, Auctioneers & Valuers, valued the assets of the company as at 20 April 1998 on an open market basis at £46,280, giving a surplus on revaluation of £30,648.

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £
Cost and net book value	
At 1 July 1998 and at 30 June 1999	251,915

Name of Company	Principal Activity	Country of Incorporation	Ordinary share capital issued and fully paid	Proportion of nominal value of issued share capital held
Midland Ship Repairs Limited	Ship repairing	Scotland	£500	100%

Group financial statements have not been prepared as the company is a subsidiary of Forth Estuary Engineering Limited, which is a subsidiary of Semple and Cochrane PLC. Group financial statements have been prepared for Semple Cochrane PLC.

In the opinion of the Directors of the company, the aggregate value of the investment in subsidiary is not less than the amount at which this is stated in the financial statements.

10. DEBTORS

	1999 £	1998 £
Amounts recoverable on long term contracts	364,289	-
Trade debtors	354,349	5,274
Amounts owed by group undertakings	244,875	556,370
Other debtors	-	7,278
	<u>963,513</u>	<u>568,922</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank loans and overdrafts	183,151	40,171
Trade creditors	169,321	38,499
Amounts owed to group undertakings	344,522	324,354
Corporation tax	42,000	8,089
Other taxes and social security	40,638	13,097
Other creditors	11,699	11,073
Accruals and deferred income	16,776	34,049
	<u>808,107</u>	<u>469,332</u>

The bank overdraft is secured by a floating charge over the assets of the company together with a letter of cross guarantee and offset from all group companies (note 17).

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

12. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
840 ordinary shares of £1 each	840	840

13. REVALUATION RESERVE

	£
At 1 July 1998 and 30 June 1999	30,648

14. FINANCIAL COMMITMENTS

Operating lease commitments

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

	Other £
Leases which expire:	
Within one year	714
Within 2 to 5 years	-
After 5 years	-
	714

15. ULTIMATE PARENT COMPANY

The company's immediate parent company is Forth Estuary Engineering Limited, a company registered in Scotland.

The company's ultimate parent company is Semple Cochrane PLC, a company registered in Scotland. It has included the results of Firth Painters Limited in its group financial statements. Copies of the group financial statements may be obtained from the registered office of the group; 14 William Street, Paisley, Renfrewshire, PA1 2NA.

16. RELATED PARTY TRANSACTIONS

As noted in note 15, the company is a wholly owned subsidiary of Semple Cochrane PLC. The company has therefore taken advantage of the exemptions available under Financial Reporting Standard No 8 with regard to the non-disclosure of transactions between group companies which are eliminated in the ultimate parent company's consolidated financial statements.

17. CROSS GUARANTEES

The company has entered into cross guarantees with other group companies as part of its banking arrangements. At 30 June 1999 the group had net borrowings of £3,682,114 (1998 – £Nil).