

SCOTT REUTER LIMITED

Report and Financial Statements

30 June 1999

Deloitte & Touche
17 Blythswood Square
Glasgow
G2 4AD

IAM.



REPORT AND FINANCIAL STATEMENTS 1999

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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 marine related joinery contracting.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £85,736 (1998 - £46,082).

The Directors recommend that no final dividend be paid and accordingly, the balance of £85,736 has been 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 30 June 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.

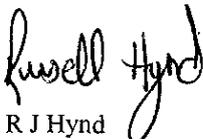
The company has recognised the potential issues arising from the year 2000 and is investigating the upgrading of its IT and computer based systems. A replacement programme has already commenced to upgrade all areas of IT and other computer based applications as appropriate.

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

SCOTT REUTER 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	749,870	577,873
Cost of sales		(559,906)	(443,296)
Gross profit		<u>189,964</u>	<u>134,577</u>
Administrative expenses		<u>(77,652)</u>	<u>(85,276)</u>
OPERATING PROFIT: continuing operations	3	112,312	49,301
Interest payable and similar charges	5	<u>(5,013)</u>	<u>(2,782)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		107,299	46,519
Tax on profit on ordinary activities	6	<u>(21,563)</u>	<u>(437)</u>
Retained profit for the financial year/period		85,736	46,082
Retained loss brought forward		<u>(43,443)</u>	<u>(89,525)</u>
Retained profit/(loss) carried forward		<u><u>42,293</u></u>	<u><u>(43,443)</u></u>

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	85,736	46,082
Unrealised surplus on revaluation of fixed assets	-	9,724
	<u>85,736</u>	<u>55,806</u>
Total recognised gains and losses relating to the year/period	<u>85,736</u>	<u>55,806</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	85,736	46,082
Surplus on revaluation of fixed assets	-	9,724
	<u>85,736</u>	<u>55,806</u>
Net addition to shareholders' funds	85,736	55,806
Opening shareholders' funds	<u>16,481</u>	<u>(39,325)</u>
Closing shareholders' funds	<u>102,217</u>	<u>16,481</u>

BALANCE SHEET
30 June 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	8,937	11,025
CURRENT ASSETS			
Work in progress		10,619	26,861
Debtors	8	102,202	189,605
Cash at bank and in hand		88,363	1,270
		201,184	217,736
CREDITORS: amounts falling due within one year			
	9	(107,904)	(212,280)
NET CURRENT ASSETS			
		93,280	5,456
		102,217	16,481
CAPITAL AND RESERVES			
Called up share capital	10	50,200	50,200
Revaluation reserve	11	9,724	9,724
Profit and loss account		42,293	(43,443)
Total equity shareholders' funds		102,217	16,481

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

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

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes materials and direct labour appropriate to the 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.

Deferred taxation

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

Operating leases

Rental costs paid under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

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, marine related joinery contracting.

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	2,263	595
Auditors' remuneration	2,000	800
Rentals under operating leases	6,873	6,497
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year to 30.6.99 £	17 months to 30.6.98 £
Directors' emoluments	6,000	28,263
	<u> </u>	<u> </u>
	No	No
Average number of persons employed		
Production	11	8
Office management	1	1
	<u> </u>	<u> </u>
	12	9
	<u> </u>	<u> </u>
	£	£
Staff costs during the year/period (including directors)		
Wages and salaries	281,251	162,668
Social security costs	27,088	14,316
	<u> </u>	<u> </u>
	308,339	176,984
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 30.6.99 £	17 months to 30.6.98 £
Bank overdraft interest	5,013	2,782
	<u> </u>	<u> </u>

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	22,000	437
Adjustments to prior periods' tax provisions		
Corporation tax	(437)	-
	<u>21,563</u>	<u>437</u>

The current year tax change is less than expected because of the availability of losses forward.

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 July 1998	10,380	12,000	12,353	34,733
Additions	175	-	-	175
At 30 June 1999	<u>10,555</u>	<u>12,000</u>	<u>12,353</u>	<u>34,908</u>
Accumulated depreciation				
At 1 July 1998	521	11,157	12,030	23,708
Charge for the year	1,987	211	65	2,263
At 30 June 1999	<u>2,508</u>	<u>11,368</u>	<u>12,095</u>	<u>25,971</u>
Net book value				
At 30 June 1999	<u>8,047</u>	<u>632</u>	<u>258</u>	<u>8,937</u>
At 30 June 1998	<u>9,859</u>	<u>843</u>	<u>323</u>	<u>11,025</u>

Shirlaw, Allan & Company Limited, Auctioneers & Valuators, valued the assets of the company as at 20 April 1998 on an open market basis at £47,849, giving a surplus on revaluation of £8,677.

NOTES TO THE ACCOUNTS
Year ended 30 June 1999

8. DEBTORS

	1999 £	1998 £
Trade debtors	89,571	8,828
Amounts owed by group undertakings	11,426	167,949
Other debtors	1,205	12,828
	<u>102,202</u>	<u>189,605</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank overdraft	-	47,643
Trade creditors	16,995	78,038
Amounts owed to group undertakings	37,658	35,745
Corporation tax	22,000	437
Other taxes and social security	13,611	13,018
Sundry creditors	8,067	4,375
Accruals and deferred income	9,573	33,024
	<u>107,904</u>	<u>212,280</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 15).

10. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
80,000 ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>
Called up, allotted and fully paid		
50,200 ordinary shares of £1 each	<u>50,200</u>	<u>50,200</u>

11. REVALUATION RESERVE

	£
At 1 July 1998 and 30 June 1999	<u>9,724</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1999

12. FINANCIAL COMMITMENTS

Operating lease commitments

The company has annual commitments payable in the year to 30 June 2000 under operating leases as follows:

	Other £
Leases expiring:	
Within one year	4,745
Within 2 to 5 years	13,051
	<hr/>
	17,796
	<hr/> <hr/>

13. 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 Scott Reuter 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.

14. RELATED PARTY TRANSACTIONS

As noted in note 13, 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.

15. CROSS GUARANTEES

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