

THE McCARTNEY GROUP LIMITED
(Company Registration 147178)

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1998



IAM.

THE McCARTNEY GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 1998

Page

<u>CONTENTS:</u>	Directors' Report	1 - 2
	Report of the Auditors to the Members	3
	Profit and Loss Account and Total Recognised Gains and Losses	4
	Balance Sheet	5
	Cash Flow Statement	6
	Accounting Policies and Notes to the Financial Statements	7 - 14
 <u>DIRECTORS:</u>	C W Aitken	
	W A Clark	
	B J Boucher-Myers	
	C S Spruce	
	S Holmes	
 <u>SECRETARY:</u>	B J Boucher-Myers	
 <u>AUDITORS:</u>	Scott-Moncrieff Downie Wilson CA	
 <u>BANKERS:</u>	The Royal Bank of Scotland plc	
 <u>SOLICITORS:</u>	McGrigor Donald	
 <u>REGISTERED OFFICE:</u>	8 Lawmoor Place Glasgow G5 0XW	

THE McCARTNEY GROUP LIMITED

DIRECTORS' REPORT

For the year ended 31st March 1998

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31st March 1998.

Principal activities

The company's principal activity is the supply and installation of contract fire protection and contract painting.

Review of the business and future developments

Improved market conditions and the company's profile as one of the UK's leading fire protection contractors have been major components in the further growth of business and improvement in profitability.

This creditable result clearly reflects the fiscal strength and technical integrity of the business and the quality and commitment of its highly professional team of managers.

The development of our core fire protection activities has produced the planned dividends and this will continue to be the focus for enhancement.

The company remains dedicated to the principle of efficient delivery of high quality life and property safety solutions, in partnership with our customers.

Research and Development

The company undertakes research and design development of new products and services in the following areas:-

- Executives visit trade fairs and exhibitions to identify and research new product ideas and new materials.
- Company specialists devise and design innovative uses of existing products and new materials.
- In partnership with key suppliers, research in the form of fire testing is conducted at leading UK laboratories.

Results

The results of the company for the year are set out in detail on page 4. The directors recommended a final dividend of 10p per share (1997 10p), leaving £24,695 (1997 £24,323) to be retained in reserves.

Tangible Fixed Assets

The significant changes in tangible fixed assets during the year are set out in detail on page 10.

THE McCARTNEY GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31st March 1998

Directors

The Directors who served during the year and the beneficial and family interests in the share capital of those serving at the end of the year were as follows:-

	At 31st March 1998	At 31st March 1997
C W Aitken	28,658	28,658
W A Clark	38,113	33,204
B J Boucher-Myers	-	-
C S Spruce	-	-
S Holmes	-	-

C W Aitken and B J Boucher-Myers retire by rotation and, being eligible, offer themselves for re-election.

Directors' Responsibilities

The directors are required by law to prepare, for each financial year, financial statements which comply with the Companies Act 1985 and give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that year. They are responsible for maintaining adequate accounting records which disclose the financial position of the company with reasonable accuracy at any time, which enable them to safeguard the assets of the company and which enable them to take reasonable steps to prevent and to detect fraud and other irregularities.

The directors confirm that the financial statements on pages 4 to 14 have been prepared on a going concern basis, that suitable accounting policies have been consistently applied, that reasonable and prudent judgements and estimates have been used and that applicable accounting standards have been followed.

Year 2000

The directors are continuing to review the risks associated with the Year 2000 problem, both with regard to internal use of computer systems and embedded chips and in connection with relationships with third parties. They are satisfied that these steps will be completed in sufficient time to eliminate any potential problems. The total costs of ensuring Year 2000 compliance have not yet been quantified but are not expected to be significant.

Auditors

A Resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of Scott-Moncrieff Downie Wilson CA as Auditors, in accordance with Section 385 of the Companies Act 1985.

By Order of the Board

B. Boucher-Myers

Glasgow, 28 September 1998

SECRETARY

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE McCARTNEY GROUP LIMITED**

Respective Responsibilities of Directors and Auditors

As described on page 2, the directors of the company 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 have audited the financial statements on pages 4 to 14 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 significant estimates and judgements made by the directors in the preparation of the statements and of whether the accounting policies are appropriate to the company's circumstances, are consistently applied and are adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we 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 31st March 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SCOTT-MONCRIEFF DOWNIE WILSON
Chartered Accountants and Registered Auditors

28 September 1998

135 Buchanan Street
Glasgow G1 2JA

THE McCARTNEY GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1998

	Note	1998 £	1997 £
<u>TURNOVER</u> - continuing operations	2	3,681,152	3,040,757
Cost of sales		(2,694,161)	(2,200,356)
<u>GROSS PROFIT</u>		986,991	840,401
Administration expenses		(930,332)	(796,061)
<u>OPERATING PROFIT</u> - continuing operations	4	56,659	44,340
Interest payable	7	(7,695)	(2,949)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		48,964	41,391
Taxation	8	(15,992)	(8,791)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR</u>		32,972	32,600
Dividends	9	(8,277)	(8,277)
<u>TRANSFERRED TO RESERVES</u>	16	<u>24,695</u>	<u>24,323</u>

The Notes on pages 7 to 14 form part of these Financial Statements

TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 1998

The company has no recognised gains and losses other than those included in the profit and loss account above (1997 £Nil).

THE McCARTNEY GROUP LIMITED

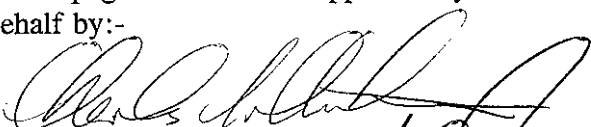
BALANCE SHEET

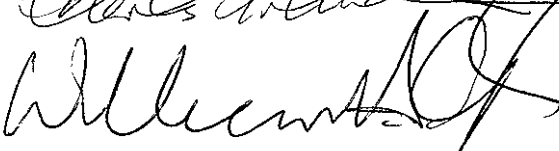
As at 31st March 1998

	Note	1998	1997
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	10	158,168	158,399
Investments in Subsidiaries	11	<u>-</u>	<u>7,871</u>
		158,168	166,270
<u>CURRENT ASSETS</u>			
Stocks	12	921,307	632,003
Debtors	13	376,401	502,702
Cash at Bank and in Hand		<u>10,875</u>	<u>9,839</u>
		1,308,583	1,144,544
<u>CREDITORS</u>			
Amounts falling due within one year	14	<u>(749,416)</u>	<u>(618,174)</u>
<u>NET CURRENT ASSETS</u>		<u>559,167</u>	<u>526,370</u>
<u>NET ASSETS</u>		<u>717,335</u>	<u>692,640</u>
<u>CAPITAL AND RESERVES</u>			
Called up Equity Share Capital	15	82,770	82,770
Profit and Loss Account	16	<u>634,565</u>	<u>609,870</u>
<u>EQUITY SHAREHOLDERS' FUNDS</u>		<u>717,335</u>	<u>692,640</u>

The Notes on pages 7 to 14 form part of these Financial Statements

The Financial Statements on pages 4 to 14 were approved by the Board of Directors on 28 September 1998 and are signed on its behalf by:-

×  × - Director

×  × - Director

THE McCARTNEY GROUP LIMITED

CASH FLOW STATEMENT

For the year ended 31st March 1998

	Note	1998 £	1997 £
Net cash (outflow)/inflow from operating activities	19	<u>(5,782)</u>	<u>17,305</u>
<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>			
Interest paid		<u>(7,695)</u>	<u>(2,949)</u>
Net cash outflow from returns on investment		<u>(7,695)</u>	<u>(2,949)</u>
Taxation		<u>(12,151)</u>	<u>-</u>
<u>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</u>			
Payments to acquire tangible fixed assets		(22,013)	(17,749)
Payments to acquire investments in subsidiaries		-	(1,769)
Receipts from sale of tangible fixed assets		-	78,520
Receipts from sale of investment in subsidiary		<u>7,871</u>	<u>-</u>
Net cash (outflow)/inflow from investing activities		<u>(14,142)</u>	<u>59,002</u>
Equity dividend paid		<u>(8,277)</u>	<u>(8,277)</u>
<u>FINANCING</u>			
Net cash (outflow)/inflow for the year		<u>(48,047)</u>	<u>65,081</u>

The notes on pages 7 to 14 form part of these Financial Statements.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 1998

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on tangible fixed assets in order to write off each asset over its expected useful life at the following rates:-

Heritable property	4% straight line
Plant and machinery	40% reducing balance
Motor vehicles	25% reducing balance
Furniture and fittings	40% reducing balance

No depreciation is provided on freehold land.

Stocks

Stocks are valued at the lower of cost and net realisable value in the ordinary course of business. Cost represents -

Raw materials and consumable stores - purchase cost on a first in, first out basis.

Work in progress - cost of direct materials, labour, production overheads and an appropriate proportion of indirect overheads after deduction of amounts invoiced.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred Taxation

Deferred taxation is provided for liabilities that will probably crystallise in the future, using the liability method, that is utilising current rates.

Operating Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents the amount receivable in the ordinary course of business from sales of goods and services, stated net of value added tax.

Investments

Investments in subsidiaries are stated at cost less provision for accumulated losses therein.

Pension costs

Pension costs are charged to the profit and loss account as they fall due.

Foreign currencies

Transactions in foreign currencies are recorded at the date of the transaction. All differences are taken to the profit and loss account.

Research and development

Research and development expenditure is written off as incurred.

Group financial statements

The company has not prepared group financial statements as the group headed by the company qualifies under the Companies Act 1985, for exemption from doing so as it is a small group.

2. TURNOVER

Turnover and pre-tax profit are attributable to the company's principal activities of contract fire protection and contract painting.

The whole of turnover is attributable to the United Kingdom.

3./

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

3. STAFF NUMBERS AND COSTS

The average monthly number of employees employed by the company during the year, including Directors, was:-

	1998	1997
Office and management	17	15
Operatives	<u>51</u>	<u>43</u>
	<u>68</u>	<u>58</u>

The aggregated remuneration and associated costs of the company's employees were:-

	£	£
Wages and salaries	1,575,834	1,292,343
Social security costs	140,162	123,110
Pension costs	<u>39,642</u>	<u>30,246</u>
	<u>1,755,638</u>	<u>1,445,699</u>

4. OPERATING PROFIT

The operating profit of the company is stated after charging:-

Directors' remuneration (note 5)	259,317	245,106
Auditors' remuneration	6,000	6,000
Depreciation (note 10)	22,244	18,132
Operating lease rentals	88,090	66,728
Loss on disposal of tangible fixed assets	-	2,990
Loss on disposal of investment	<u>1,337</u>	<u>-</u>

5. DIRECTORS' REMUNERATION

Aggregate emoluments	238,150	225,048
Pension contributions	<u>21,167</u>	<u>20,058</u>
	<u>259,317</u>	<u>245,106</u>
Highest paid director -		
Aggregate emoluments	<u>60,392</u>	<u>52,501</u>
Pension contributions	<u>8,913</u>	<u>8,913</u>

Five directors are accruing benefits under the company's defined contribution schemes.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

6. PENSION COSTS AND COMMITMENTS

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £39,642 (1997 £30,246). At 31 March 1998 pension contributions of £Nil (1997 £14,000) had been accrued.

7. <u>INTEREST PAYABLE</u>	1998	1997
	£	£
Bank overdraft interest	<u>7,695</u>	<u>2,949</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation Tax on profit at 21% (1997 24%) -

Current year	12,632	8,791
Prior year	<u>3,360</u>	<u>-</u>
	<u>15,992</u>	<u>8,791</u>

The company is a close company under the Income and Corporation Taxes Act 1988.

9. <u>Dividend</u>	1998	1997
	£	£
Final dividend of 10p per share (1997 10p) payable	<u>8,277</u>	<u>8,277</u>

10. TANGIBLE FIXED ASSETS

	<u>Heritable Property</u>	<u>Plant & Machinery</u>	<u>Furniture & Fittings</u>	<u>Total</u>
	£	£	£	£
<u>Cost</u>				
Cost at 1st April 1997	160,000	60,858	123,370	344,228
Additions during year	<u>-</u>	<u>4,095</u>	<u>17,918</u>	<u>22,013</u>
At 31st March 1998	<u>160,000</u>	<u>64,953</u>	<u>141,288</u>	<u>366,241</u>
<u>Depreciation</u>				
At 1st April 1997	19,200	52,006	114,623	185,829
Charge for year	<u>6,400</u>	<u>5,179</u>	<u>10,665</u>	<u>22,244</u>
At 31st March 1998	<u>25,600</u>	<u>57,185</u>	<u>125,288</u>	<u>208,073</u>
<u>Net book value</u>				
At 31st March 1998	<u>134,400</u>	<u>7,768</u>	<u>16,000</u>	<u>158,168</u>
At 31st March 1997	<u>140,800</u>	<u>8,852</u>	<u>8,747</u>	<u>158,399</u>

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

11. INVESTMENTS IN SUBSIDIARIES

£

Cost -

At 1st April 1997

90,641

Disposal during year

(7,871)

At 31 March 1998

82,770

Provision -

For accumulated losses at 1st April 1997 and 31st March 1998

82,770

Net book value -

At 31st March 1998

-

At 31 March 1997

7,871

<u>Name of Subsidiary</u>	<u>Country of Registration</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of business</u>
Blythswood Decorators Limited	Scotland	Ordinary shares	100%	Dormant
McCartney Fire Protection Limited	Scotland	Ordinary shares	100%	Dormant
Exposagg Limited	Scotland	Ordinary "A" shares	71.4%	Dormant
R McCartney (Painters) Limited	Scotland	Ordinary shares	100%	Dormant

Details of subsidiaries not consolidated are as follows:-

	<u>Aggregate share capital and reserves</u>	
	<u>1998</u>	<u>1997</u>
	£	£
Blythswood Decorators Limited	<u>1</u>	<u>1</u>
McCartney Fire Protection Limited	<u>100</u>	<u>100</u>
Exposagg Limited	<u>1,750</u>	<u>1,750</u>
R McCartney (Painters) Limited	<u>-</u>	<u>-</u>

The total shareholding in KBS Fire Protection Systems Ltd was sold during the year.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

12. <u>STOCKS</u>	1998	1997
	£	£
Raw materials and consumable stores	94,267	71,388
Work in progress	<u>827,040</u>	<u>560,615</u>
	<u>921,307</u>	<u>632,003</u>
13. <u>DEBTORS: Amounts falling due within one year</u>		
Trade debtors	332,492	349,813
Amounts owed by subsidiary company	-	124,159
Other debtors	26,716	13,128
Prepayments and accrued income	15,124	13,533
ACT recoverable	<u>2,069</u>	<u>2,069</u>
	<u>376,401</u>	<u>502,702</u>
14. <u>CREDITORS: Amounts falling due within one year</u>		
Bank overdraft	126,135	77,052
Trade creditors	348,141	296,781
Social security costs and other taxes	175,908	165,178
Amounts owed to subsidiaries	10,100	10,100
Accruals	68,223	60,272
Corporation Tax	12,632	8,791
Dividend payable	<u>8,277</u>	<u>-</u>
	<u>749,416</u>	<u>618,174</u>

The Royal Bank of Scotland plc hold a Bond and Floating Charge for all monies due together with a Standard Security over 8 Lawmoor Place, Glasgow.

15. <u>CALLED UP EQUITY SHARE CAPITAL</u>	1998	1997
	£	£
<u>Authorised</u>		
Ordinary £1 shares	<u>150,000</u>	<u>150,000</u>
<u>Allotted, issued and fully paid</u>		
Ordinary £1 shares	<u>82,770</u>	<u>82,770</u>

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

16. PROFIT AND LOSS ACCOUNT

	1998	1997
	£	£
As at 1st April	609,870	585,547
Transferred to reserves (page 4)	<u>24,695</u>	<u>24,323</u>
At 31st March	<u>634,565</u>	<u>609,870</u>

17. OPERATING LEASE COMMITMENTS

At 31st March 1998 the company had annual commitments under operating leases as set out below:-

	Plant and machinery	Motor vehicles	1998 Total	1997 Total
	£	£	£	£
Operating leases which expire:-				
within a year	-	16,083	16,083	6,446
in the second to fifth years	<u>12,024</u>	<u>116,466</u>	<u>128,490</u>	<u>121,639</u>
	<u>12,024</u>	<u>132,549</u>	<u>144,573</u>	<u>128,085</u>

18. MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Shareholders' funds at 1st April	692,640	668,317
Profit for financial year (page 4)	32,972	32,600
Dividend	<u>(8,277)</u>	<u>(8,277)</u>
Shareholders' funds at 31st March	<u>717,335</u>	<u>692,640</u>

19./

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1998

19. CASH FLOW STATEMENT

	1998	1997
	£	£

Reconciliation of operating profit to net cash (outflow)/inflow
from operating activities:-

Operating profit	56,659	44,340
Depreciation charge	22,244	18,132
Loss on sale of tangible fixed assets	-	2,990
Stock	(289,304)	(100,937)
Debtors	126,301	(205,278)
Creditors	<u>78,318</u>	<u>258,058</u>
	<u>(5,782)</u>	<u>17,305</u>

Analysis of the balances of cash and cash equivalents
as shown in the balance sheet:-

	1998	1997	Change in year
	£	£	£
Cash at bank and in hand	10,875	9,839	1,036
Bank overdraft	<u>(126,135)</u>	<u>(77,052)</u>	<u>(49,083)</u>
	<u>(115,260)</u>	<u>(67,213)</u>	<u>(48,047)</u>