

THE McCARTNEY GROUP LIMITED
(Company Registration 147178)

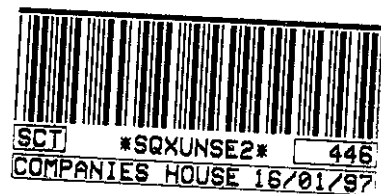
DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1996

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THE McCARTNEY GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31st March 1996

	<u>Page</u>
<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 (appointed 12/10/95)	
 <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 1996

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31st March 1996.

Review of the business and future developments

The depressed condition of the construction market place in the last year prevented the predicted recovery of trading.

However, the otherwise disappointing result reflects well on the qualities of the underlying business and its able and dedicated staff in controlling a difficult and challenging situation.

Exceptional progress has been made in the development of core fire protection activities and this will prove beneficial in the future.

The recovery of the construction market now seems set to take hold in 1996 and to accelerate in 1997. This fact together with our reinvestment of resources in the Scottish market will prove beneficial in the short to medium term.

Throughout, our goal remains the 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 recommend that no dividend be paid.

THE McCARTNEY GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31st March 1996

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 1996	At 31st March 1995
C W Aitken	28,658	28,658
W A Clark	33,204	20,150
B J Boucher-Myers	-	-
C S Spruce	-	-
S Holmes (appointed 12/10/95)	-	-

Tangible Fixed Assets

The significant changes in tangible fixed assets during the year are set out in detail on page 11.

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.

Auditors

Scott-Moncrieff merged with Downie Wilson on 1 October 1996 and have signed the auditors' report in their new name.

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

SECRETARY

GLASGOW, 18 DECEMBER 1996

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.

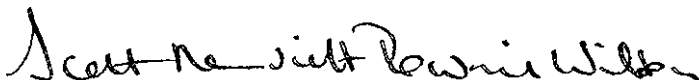
Basis of Opinion

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 1996 and of the loss 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

18 December 1996

218 St Vincent Street
Glasgow G2 5SG

THE McCARTNEY GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1996

	Note	Year ended 31st March 1996 £	27th October 1993 to 31st March 1995 £
<u>TURNOVER</u> - continuing operations	2	2,318,836	2,432,751
Cost of sales		(1,674,863)	(1,677,322)
<u>GROSS PROFIT</u>		643,973	755,429
Administration expenses		(643,553)	(803,107)
Exceptional item	4	(30,000)	-
		(29,580)	(47,678)
Other operating income		-	83,200
<u>OPERATING (LOSS) PROFIT</u>	4		
- continuing operations		(29,580)	35,522
Income from shares in group companies		-	665,875
Provision against investment in subsidiary	10	-	(82,770)
		(29,580)	618,627
Interest receivable		-	9,180
Interest payable	7	(7,445)	(4,633)
<u>(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		(37,025)	623,174
Taxation	8	-	(602)
<u>(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR 15</u>		(37,025)	622,572

The Notes on pages 8 to 15 form part of these Financial Statements

TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 1996

The company has no recognised gains and losses other than those included in the profit and loss account above (1995 £Nil).

THE McCARTNEY GROUP LIMITED


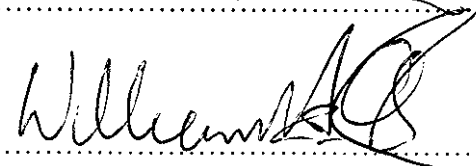
BALANCE SHEET

As at 31st March 1996

	Note	1996	1995
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	9	240,292	259,825
Investments in Subsidiaries	10	<u>6,102</u>	<u>6,102</u>
		246,394	265,927
<u>CURRENT ASSETS</u>			
Stocks	11	531,066	466,131
Debtors	12	295,355	384,227
Cash at Bank and in Hand		<u>4,673</u>	<u>2,586</u>
		831,094	852,944
<u>CREDITORS</u>			
Amounts falling due within one year	13	(409,171)	(413,529)
<u>NET CURRENT ASSETS</u>		421,923	439,415
<u>NET ASSETS</u>		<u>668,317</u>	<u>705,342</u>
<u>CAPITAL AND RESERVES</u>			
Called up Equity Share Capital	14	82,770	82,770
Profit and Loss Account	15	<u>585,547</u>	<u>622,572</u>
<u>EQUITY SHAREHOLDERS' FUNDS</u>	18	<u>668,317</u>	<u>705,342</u>

The Notes on pages 8 to 15 form part of these Financial Statements

The Financial Statements on pages 5 to 15 were approved by the Board of Directors on 18 December 1996 and are signed on its behalf by:-


 - Director

 - Director

THE McCARTNEY GROUP LIMITED

CASH FLOW STATEMENT

For the year ended 31st March 1996

	Note	Year ended 31st March 1996 £	27th October 1993 to 31st March 1995 £
Net cash outflow from operating activities	20	(83,634)	(413,326)
<u>RETURNS ON INVESTMENTS AND SERVICING OF INVESTMENTS</u>			
Dividend received from subsidiary company		-	665,875
Interest received		-	9,180
Interest paid		(7,445)	(4,633)
Net cash inflow from returns on investment		(7,445)	670,422
<u>INVESTING ACTIVITIES</u>			
Payments to acquire tangible fixed assets		(1,765)	(319,170)
Payments to acquire investments in subsidiaries		-	(88,872)
Receipts from sale of tangible fixed assets		425	28,301
Net cash outflow from investing activities		(1,340)	(379,741)
<u>FINANCING</u>			
Issue of ordinary share capital		-	82,770
Net cash outflow for the year		(92,419)	(39,875)

The notes on pages 8 to 15 form part of these Financial Statements.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 1996

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 1996

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 Section 248(1), 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.

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THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

3. STAFF NUMBERS AND COSTS

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

	Year ended 31/3/96	27/10/93 to 31/3/95
Office and management	13	18
Operatives	<u>32</u>	<u>30</u>
	<u>45</u>	<u>48</u>

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

	£	£
Wages and salaries	920,131	988,328
Social security costs	90,105	95,682
Pension costs	<u>29,123</u>	<u>21,504</u>
	<u>1,039,359</u>	<u>1,105,514</u>

4. OPERATING (LOSS) PROFIT

The operating (loss) profit of the company is stated after charging (crediting):-

Directors' remuneration (note 5)	203,627	135,388
Auditors' remuneration	5,000	5,000
Depreciation (note 9)	19,958	25,701
Operating lease rentals	76,764	89,039
Exceptional item - restructuring costs	<u>30,000</u>	<u>-</u>

5. DIRECTORS' REMUNERATION

Emoluments of the directors (including pension contributions) for management services	189,227	130,322
Fees	<u>14,400</u>	<u>5,066</u>
	<u>203,627</u>	<u>135,388</u>

Emoluments, excluding pension contributions, were as follows:-

Highest paid director	<u>51,539</u>	<u>45,649</u>
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There was no chairman appointed during the year.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

5. <u>DIRECTORS' REMUNERATION</u> (continued)	Year ended	27/10/93
	31/3/96	to 31/3/95
The number of other directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:-		
£15,001 - £20,000	1	-
£20,001 - £25,000	-	2
£35,001 - £40,000	1	1
£40,001 - £45,000	<u>2</u>	<u>-</u>

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 £29,123. At 31 March 1996 pension contributions of £Nil (1995 £2,007) had been prepaid.

7. <u>INTEREST PAYABLE</u>	Year ended	27/10/93
	31/3/96	to 31/3/95
	£	£
Bank overdraft interest	<u>7,445</u>	<u>4,633</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation Tax on (loss) profit for the year at 25% (1995 25%)	<u>-</u>	<u>602</u>
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The company has approximately £26,000 (1995 £7,000) of losses to set against future trading profits.

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

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THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

9. TANGIBLE FIXED ASSETS

	<u>Heritable Property</u>	<u>Plant & Machinery</u>	<u>Motor Vehicles</u>	<u>Furniture & Fittings</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
Cost at 1st April 1995	240,000	46,758	18,750	120,190	425,698
Additions	-	-	-	1,765	1,765
Disposals	-	-	-	(2,234)	(2,234)
At 31st March 1996	<u>240,000</u>	<u>46,758</u>	<u>18,750</u>	<u>119,721</u>	<u>425,229</u>
<u>Depreciation</u>					
At 1st April 1995	9,600	45,670	8,203	102,400	165,873
Charge for year	9,600	435	2,637	7,286	19,958
Released on disposal	-	-	-	(894)	(894)
At 31st March 1996	<u>19,200</u>	<u>46,105</u>	<u>10,840</u>	<u>108,792</u>	<u>184,937</u>
<u>Net book value</u>					
At 31st March 1996	<u>220,800</u>	<u>653</u>	<u>7,910</u>	<u>10,929</u>	<u>240,292</u>
At 31st March 1995	<u>230,400</u>	<u>1,088</u>	<u>10,547</u>	<u>17,790</u>	<u>259,825</u>

10. INVESTMENTS IN SUBSIDIARIES

£

Cost -	
At 1st April 1995 and 31st March 1996	<u>88,872</u>
Provision -	
For accumulated losses at 1st April 1995 and 31st March 1996	<u>82,770</u>
Net book value -	
At 31st March 1996	<u>6,102</u>

<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
W Swire & Sons Limited	England	Ordinary shares	100%	Dormant
Exposagg Limited	Scotland	Ordinary "A" shares	71.4%	Dormant
R McCartney (Painters) Limited	Scotland	Ordinary shares	100%	Dormant
KBS Fire Protection Systems Limited	England	Ordinary shares	61%	Wholesaler

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

10. INVESTMENTS IN SUBSIDIARIES (continued)

Details of subsidiaries not consolidated are as follows:-

	<u>Aggregate share capital and reserves</u>	
	<u>1996</u>	<u>1995</u>
	£	£
Blythswood Decorators Limited	<u>1</u>	<u>1</u>
McCartney Fire Protection Limited	<u>100</u>	<u>100</u>
W Swire & Sons Limited	<u>10,000</u>	<u>10,000</u>
Epsosagg Limited	<u>1,750</u>	<u>1,750</u>
R McCartney (Painters) Limited	<u>-</u>	<u>-</u>
KBS Fire Protection Systems Limited	<u>23,903</u>	<u>15,424</u>

Of the above companies only KBS Fire Protection Systems Limited traded during the year, resulting in a profit of £8,479 (1995 £5,424).

11. STOCKS

	<u>1996</u>	<u>1995</u>
	£	£
Raw materials and consumable stores	67,983	100,979
Work in progress	<u>463,083</u>	<u>365,152</u>
	<u>531,066</u>	<u>466,131</u>

12. DEBTORS: Amounts falling due within one year

Trade debtors	190,293	332,510
Amounts owed by subsidiary company	89,359	41,472
Other debtors	258	1,587
Prepayments and accrued income	<u>15,445</u>	<u>8,658</u>
	<u>295,355</u>	<u>384,227</u>

13. CREDITORS: Amounts falling due within one year

Bank overdraft	136,967	42,461
Trade creditors	149,160	245,728
Social security costs and other taxes	75,146	75,525
Amounts owed to Subsidiaries	10,100	10,100
Accruals	<u>37,798</u>	<u>39,715</u>
	<u>409,171</u>	<u>413,529</u>

The Royal Bank of Scotland plc hold a Bond and Floating Charge for all monies due.

The Royal Bank of Scotland plc hold a Standard Security over 8 Lawmoor Place, Glasgow and held a legal charge over Unit 13, Sherdley Road, St Helens which has since been discharged on sale of the property on 25 April 1996.

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

14. <u>CALLED UP EQUITY SHARE CAPITAL</u>	1996	1995
	£	£
<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>

15. RESERVES

As at 1st April	622,572	-
(Loss) profit for financial year	<u>(37,025)</u>	<u>622,572</u>
At 31st March	<u>585,547</u>	<u>622,572</u>

16. CONTINGENT LIABILITIES

At the year end The McCartney Group Limited had given an indemnity in respect of Laing Management Ltd under a performance bond for £8,108.

17. OPERATING LEASE COMMITMENTS

At 31st March 1996 the company had annual commitments under operating leases as set out below:-

	Plant and machinery £	Motor vehicles £	1996 Total £	1995 Total £
Operating leases which expire:-				
within a year	3,864	10,393	14,257	20,546
in the second to fifth years	<u>7,843</u>	<u>57,656</u>	<u>65,499</u>	<u>72,731</u>
	<u>11,707</u>	<u>68,049</u>	<u>79,756</u>	<u>93,277</u>

18. <u>MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS</u>	1996	1995
	£	£
Shareholders' funds at 1st April	705,342	82,770
(Loss) profit for financial year (page 4)	<u>(37,025)</u>	<u>622,572</u>
Shareholders' funds at 31st March	<u>668,317</u>	<u>705,342</u>

19./

THE McCARTNEY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March 1996

19. CASH FLOW STATEMENT

Year ended 31/3/96 £	27/10/93 to 31/3/95 £
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Reconciliation of operating profit to net cash outflow
from operating activities:-

Operating (loss) profit	(29,580)	35,522
Depreciation charge	19,958	25,701
Loss on sale of tangible fixed assets	916	5,343
Stock	(64,935)	(466,131)
Debtors	88,872	(384,227)
Creditors	(98,865)	370,466
	<u>(83,634)</u>	<u>(413,326)</u>

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

	Year ended 31/3/96 £	27/10/93 to 31/3/95 £	Change in year £
Cash at bank and in hand	4,673	2,586	2,087
Bank overdraft	(136,967)	(42,461)	(94,506)
	<u>(132,294)</u>	<u>(39,875)</u>	<u>(92,419)</u>