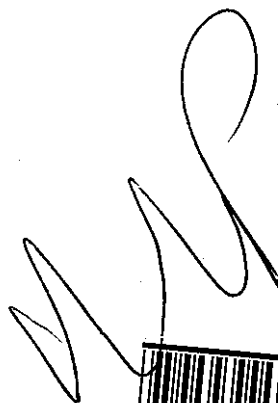

Wallace McDowall Limited

Report and Accounts

31 December 1994



DIRECTORS

M Phillips
J McCartney
W Slattery
R S Cardow
J Lumsden
A A Easton

SECRETARY

S R Watson

AUDITORS

Ernst & Young
George House
50 George Square
Glasgow
G2 1RR

BANKERS

Bank of Scotland
123 High Street
Ayr
KA7 1QP

SOLICITORS

Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

REGISTERED OFFICE

7 Kyle Road
Irvine
KA12 8JH

DIRECTORS' REPORT

ACCOUNTS

The directors present their report and accounts for the year ended 31 December 1994. The loss for the year after taxation amounts to £105,228 (1993 - £444,244). The directors recommend that no dividend be paid.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are the production, marketing and sales of a range of sheet metal security doors and window panels.

The loss during the year was due to low volume on the sale of void products and the development and initial production costs of a new range of doors.

The costs incurred during 1994 put the company into a good position going into 1995 as the product range has been refined to better match customer requirements.

RESEARCH AND DEVELOPMENT

The company has continued its policy of developing its existing products whilst investigating new opportunities.

FIXED ASSETS

The movement in fixed assets during the year is shown in note 9 to the accounts.

MARKET VALUE OF LAND AND BUILDINGS

The company's freehold property was valued at open market value for existing use by Messrs D H McCallum & Company, Chartered Surveyors, on 1 June 1991 at £310,000.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

M Phillips	
J McCartney	
W Slattery	
D Corson	(resigned 9 November 1994)
J G Hastie	(resigned 20 June 1994)
R S Cardow	(appointed 1 July 1994)
J Lumsden	(appointed 20 June 1994)
I Macquire	(appointed 1 July 1994, resigned 10 February 1995)

In addition A A Easton was appointed a director on 27 February 1995.

A service contract is in place for Mr W Slattery which has an unexpired term of three years.

Interests in the shares of the company of directors who are also directors of Motherwell Bridge Holdings Limited are shown in the accounts of that company. In addition, the following directors held ordinary shares and/or options to subscribe for ordinary shares in the ultimate parent company:

	<i>No. of shares</i>		<i>No. of options</i>	
	<i>31 December 1994</i>	<i>31 December 1993</i>	<i>31 December 1994</i>	<i>31 December 1993</i>
M Phillips	121,048	128,000	-	-
J McCartney	28,000	28,000	40,000	40,000

DIRECTORS' REPORT

DISABLED PERSONS

It is the company's policy to give full consideration to suitable applications for employment from disabled persons.

Opportunities also exist for employees of the company who become disabled to continue in their employment or to be trained for other positions in the company's employment.

EMPLOYEE INVOLVEMENT

The company is committed to involve all employees in the performance and development of the company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company.

Discussions take place regularly with the trade unions representing the company's employees on a wide range of issues.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the annual general meeting.

By order of the Board



S R Watson
Company Secretary

23 March 1994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 which enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS

to the members of Wallace McDowall Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

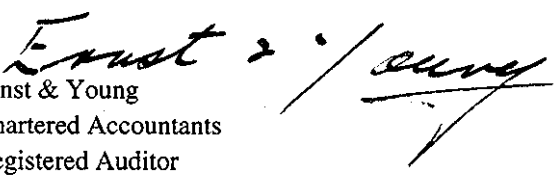
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow

23 March 1995

Wallace McDowall Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

	Notes	1994 £	13 months 1993 £
TURNOVER	2	1,527,885	1,413,242
OPERATING LOSS	3	(224,158)	(389,271)
Interest and similar charges	6	(93,424)	(54,973)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(317,582)	(444,244)
Taxation on loss on ordinary activities	7	212,354	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(105,228)	(444,244)
Dividends	8	-	75,000
LOSS TAKEN TO RESERVES	17	(105,228)	(519,244)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1994

There are no recognised gains or losses other than the loss on ordinary activities after taxation of £105,228 in the year ended 31 December 1994 and of £444,244 in the 13 months ended 31 December 1993.

Wallace McDowall Limited

BALANCE SHEET

at 31 December 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	9	700,435	696,703
Investments	10	-	39,094
		<u>700,435</u>	<u>735,797</u>
CURRENT ASSETS			
Stocks	11	449,034	185,816
Debtors	12	539,948	468,320
Cash at bank and in hand		703	373
		<u>989,685</u>	<u>654,509</u>
CREDITORS: amounts falling due within one year	13	1,811,163	(1,399,070)
NET CURRENT LIABILITIES		<u>(821,478)</u>	<u>(744,561)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(121,043)	(8,764)
CREDITORS: amounts falling due after more than one year	14	(26,208)	(33,259)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	-	-
		<u>(147,251)</u>	<u>(42,023)</u>
CAPITAL AND RESERVES			
Called up share capital	16	15,000	15,000
Revaluation reserve	17	232,018	235,854
Profit and loss account	17	(394,269)	(292,877)
EQUITY SHAREHOLDERS' FUNDS		<u>(147,251)</u>	<u>(42,023)</u>


M Phillips
Director


J McCartney
Director

23 March 1995

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES

a) *Accounting convention*

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards. The accounts are prepared on the going concern basis because the ultimate parent company has agreed to provide adequate funds for the company as long as the Board is of the opinion that the company remains a viable proposition and in any event for at least the next 12 months.

Advantage has been taken of the exemptions allowed by FRS 1 for companies which are wholly owned subsidiary undertakings and where the parent company has prepared a cash flow statement.

b) *Depreciation of tangible fixed assets*

The cost (after deducting capital based Government grants) or valuation of tangible fixed assets is written off over their expected useful lives as follows:

Freehold buildings	-	2% straight line
Plant and equipment, jigs and tools	-	15% reducing balance on assets acquired prior to 1 January 1994 and 20% straight line on assets acquired thereafter
Motor vehicles	-	20% reducing balance on vehicles acquired prior to 1 January 1994 and 25% straight line on vehicles acquired thereafter

No depreciation is provided on freehold land.

c) *Stocks and work in progress*

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

d) *Research and development*

Expenditure on research and development is written off in the year in which it is incurred.

e) *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

f) *Government grants*

Until 30 November 1990 capital based grants were netted against the cost of the related fixed assets. Since that date, government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by instalments related to the depreciation rates of those assets.

Grants of a revenue nature are credited to income in the period to which they relate.

g) *Leased assets*

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

h) *Pension costs*

Contributions payable by the company to defined contribution pension schemes are charged against profits in the accounting period to which they relate.

NOTES TO THE ACCOUNTS

at 31 December 1994

2. **TURNOVER**

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, all of which are continuing, stated net of value added tax.

3. **OPERATING LOSS** - has been arrived at as follows:

	1994	13 months 1993
	£	£
Turnover	1,527,885	1,413,242
Cost of sales	(1,547,027)	(1,526,621)
Gross loss	(19,142)	(113,379)
Administration expenses	(205,016)	(275,892)
Operating loss	(224,158)	(389,271)

Operating loss is stated after charging:

	£	£
Depreciation of tangible fixed assets	60,019	74,712
Loss on sale of tangible fixed assets	583	423
Hire of plant and equipment	1,435	1,016
Auditors' remuneration - audit services	5,000	4,000
- other services	4,731	1,812
Research and development expenditure	-	20,000

4. **EMOLUMENTS OF DIRECTORS**

	1994	13 months 1993
	£	£
Fees as directors	-	-
Remuneration of executives (including pension contributions)	98,446	93,137
Compensation for loss of office	30,000	-
	128,446	93,137

Included in compensation for loss of office is an estimated money value of £6,000 in respect of a vehicle, which was given to a past director.

Details of directors emoluments, excluding pension contributions, are as follows:

	1994	13 months 1993
	£	£
Chairman	-	-
Highest paid director (managing director)	70,274	43,953

NOTES TO THE ACCOUNTS

at 31 December 1994

4. EMOLUMENTS OF DIRECTORS (continued)

<i>Directors in scale</i>	<i>13 months</i>	
	<i>1994</i>	<i>1993</i>
	<i>No.</i>	<i>No.</i>
£Nil - £ 5,000	4	5
£ 5,001 - £10,000	1	-
£20,001 - £25,000	2	-
£25,001 - £30,000	-	1
£40,001 - £45,000	-	1
£70,001 - £75,000	1	-

5. STAFF COSTS

	<i>13 months</i>	
	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Wages and salaries	756,143	809,231
Social security costs	73,394	76,295
Other pension costs	9,285	14,893
	<u>838,822</u>	<u>900,419</u>

The average number of persons employed by the company during the period, including directors, was as follows:

	<i>13 months</i>	
	<i>1994</i>	<i>1993</i>
	<i>No.</i>	<i>No.</i>
Technical	3	2
Quality	3	2
Production	48	38
Administration	6	8
Selling	2	2
	<u>62</u>	<u>52</u>

6. INTEREST AND SIMILAR CHARGES

	<i>13 months</i>	
	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Interest payable on advances repayable wholly within five years:		
Bank overdraft interest	(85,877)	(47,595)
Hire purchase interest	(6,406)	(6,354)
Loan note interest	(1,141)	(1,024)
	<u>(93,424)</u>	<u>(54,973)</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

7. TAXATION

	1994	13 months 1993
	£	£
The credit based on the loss for the year comprises:		
Group relief receivable	107,844	-
Adjustments relating to prior years:		
Group relief receivable	104,510	-
	<u>212,354</u>	<u>-</u>

UK corporation tax has been provided at an average rate of 33% (1993 - 33%).

8. DIVIDENDS

	1994	1993
	£	£
Dividends paid	-	75,000

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation:				
At 1 January 1994	389,727	614,392	66,975	1,071,094
Additions	31,167	52,899	25,377	109,443
Disposals	-	(15,120)	(66,975)	(82,095)
At 31 December 1994	<u>420,894</u>	<u>652,171</u>	<u>25,377</u>	<u>1,098,442</u>
Depreciation:				
At 1 January 1994	15,282	329,528	29,581	374,391
Charge for year	6,309	47,766	5,944	60,019
Disposals	-	(2,503)	(33,900)	(36,403)
At 31 December 1994	<u>21,591</u>	<u>374,791</u>	<u>1,625</u>	<u>398,007</u>
Net book amounts				
At 31 December 1994	<u>399,303</u>	<u>277,380</u>	<u>23,752</u>	<u>700,435</u>
Net book amounts				
At 31 December 1993	<u>374,445</u>	<u>284,864</u>	<u>37,394</u>	<u>696,703</u>

The freehold land and buildings were valued at their open market value, for existing use, on 1 June 1991 by D H McCallum & Company, Chartered Surveyors.

NOTES TO THE ACCOUNTS

at 31 December 1994

9. TANGIBLE FIXED ASSETS (continued)

Had the freehold property not been revalued, it would have been included as follows:

	£
Historical cost	71,743
Aggregate depreciation	(11,749)
Net book amount at 31 December 1993	<u>59,994</u>

Included in the valuation of freehold property is £70,450 (1993 - £70,450) which represents the directors' estimate of the value of freehold land which is not depreciated.

Included in plant and equipment and motor vehicles are assets under finance leases and hire purchase contracts with a net book value at 31 December 1994 of £56,130 (1993 - £72,545). The depreciation charge for the year includes £7,539 (1993 - £27,090) relating to these assets.

Depreciation rates on plant and motor vehicles acquired since 1 January 1994 have been changed to 20% and 25% straight line respectively to comply with the group's depreciation policy. Had the depreciation rates not been charged the depreciation charge for the year would have been £57,328.

10. FIXED ASSET INVESTMENTS

	Other investments £
Cost:	
At 1 January 1994	39,094
Addition in year	-
Disposals in year	<u>(39,094)</u>
At 31 December 1994	<u>-</u>

The disposals during the year relates to investments in Newton Fabrications Limited and MND Security and Equipment Limited.

11. STOCKS

	1994 £	1993 £
Raw materials	113,402	82,834
Work in progress	72,014	78,696
Finished goods	263,618	24,286
	<u>449,034</u>	<u>185,816</u>

In the opinion of the directors the replacement cost of the above stock is not materially different from the value at which it is stated.

NOTES TO THE ACCOUNTS

at 31 December 1994

12. DEBTORS

	1994	1993
	£	£
Due within one year:		
Trade debtors	288,847	221,674
Corporation tax recoverable	-	25,000
Prepayments and accrued income	37,395	44,092
Group relief receivable	107,844	-
Other debtors	4,415	750
Amount due from fellow subsidiary	41,787	75,440
Amount due from subsidiary undertaking	-	101,364
VAT repayment claim	59,660	-
	<u>539,948</u>	<u>468,320</u>

13. CREDITORS: amounts falling due within one year

	1994	1993
	£	£
Bank overdraft	1,529,477	884,800
Trade creditors	173,710	285,885
PAYE and NIC	15,486	40,642
VAT	-	10,331
Hire purchase instalments	15,702	21,292
Accruals	34,178	76,438
Other creditors	13,993	33,723
Amount due to parent company	25,578	22,110
Amounts due to fellow subsidiaries	3,039	23,849
	<u>1,811,163</u>	<u>1,399,070</u>

14. CREDITORS: amounts due after more than one year

	1994	1993
	£	£
Hire purchase instalments	<u>26,208</u>	<u>33,259</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

15. DEFERRED TAXATION

A potential charge to taxation of £60,104 exists if the freehold property was sold at its revalued amount. However as no sale is envisaged in the foreseeable future no provision has been made.

Full provision for all other timing differences is made as follows:

	1994 £	1993 £
Fixed asset timing differences	44,597	32,295
Other timing differences	(794)	(5,379)
Trading losses	(43,803)	(26,916)
	<u>-</u>	<u>-</u>

The company has losses not adjusted through the deferred tax provision of £159,839.

16. SHARE CAPITAL

	1994 £	Authorised 1993 £	Allotted, called up and fully paid 1994 £	1993 £
Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>	<u>15,000</u>	<u>15,000</u>

17. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 1994	15,000	235,854	(292,877)	(42,023)
Loss for the year	-	-	(105,228)	(105,228)
Adjustment for additional depreciation due to revaluation	-	(3,836)	3,836	-
At 31 December 1994	<u>15,000</u>	<u>232,018</u>	<u>(394,269)</u>	<u>(147,251)</u>

18. COMMITMENTS

a) Revenue

At the end of the financial year, the company had commitments to pay in the following year non-cancellable operating lease rentals of £16,784 (1993 - £9,245) and for leases which expire between two and five years, £11,106 (1993 - £13,211).

b) Capital

Capital expenditure contracted for but not provided at the balance sheet date amounted to £9,500 (1993 - £Nil).

NOTES TO THE ACCOUNTS

at 31 December 1994

19. PENSION SCHEME

The company operates defined contribution pension schemes for its directors and senior employees. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions of £1,408 were outstanding at 31 December 1994 (1993 - £9,297). Included in accruals is an amount of £Nil (1993 - £11,100) which relates to contributions payable in respect of a separate directors pension scheme.

The company is also a member of the Motherwell Bridge Group Pension Plan which is of the defined benefit, final pensionable earnings type. The contributions to the Group pension plan are based on pension costs across the Group pension plan as a whole. The scheme is trustee-administered and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions which, together with the specified contributions payable by the employee and proceeds from the schemes' assets, are sufficient to fund the benefits payable under the scheme.

Details of the actuarial valuation of the Motherwell Bridge Group Pension Plan are included in the accounts of Motherwell Bridge Holdings Limited. The date of the most recent actuarial valuation was 6 April 1994.

The pension charge for the year was £2,363 (1993 - £Nil) which is based on the funding rate as recommended by the actuary.

20. ULTIMATE PARENT COMPANY

The ultimate parent company is Motherwell Bridge Holdings Limited, a company registered in Scotland. Copies of the accounts of the ultimate parent company may be obtained from the Registrar of Companies, Companies House, 100-102 George Street, Edinburgh.