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A.M. GILLIES LIMITED

DIRECTORS REPORT

And

STATEMENT OF ACCOUNTS

For the year ended 31st July 1986

C.R.O. EDINBURGH
16 JUL 1987

A.M. GILLIES LIMITED

REPORT AND ACCOUNTS

For the year ended 31st July 1986

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Directors : A.M. Gillies
A.D. Imrie
W.K. Stein

Secretary : A.M. Gillies

Auditors : Scott-Moncrieff, Thomson & Shiells, C.A.

Bankers : Royal Bank of Scotland plc

Solicitors : Brodies, W.S.

Registered Office : 53 Queen Street,
Edinburgh.

Registered in Scotland No. 80613

A.M. GILLIES LIMITED

DIRECTORS' REPORT

For the year ended 31st July 1986

1. **Results for the Year**

The results for the year are as shown in the attached accounts. In view of the loss incurred the directors recommend that no dividend be paid.

2. **Change of Name**

On the 28th April 1986 the Company changed its name from A.M. Gillies (Homes) Limited to A.M. Gillies Limited.

3. **Directors**

The Directors who held office during the year and their interests in the share capital of the company were as follows:

	Ordinary £1 Shares
Mr. A.M. Gillies	-
Mr. A.D. Imrie	-
Mr. W.K. Stein	1,200

In accordance with the Articles of Association none of the directors fall due to retire. No Director had a material interest in any contract of significance in relation to the Company's business during or at the end of the period.

4. **Auditors**

Messrs. Scott-Moncrieff, Thomson & Shiells, C.A. will be proposed for re-appointment as Auditors in accordance with Section 384 of the Companies Act 1985 and a resolution authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

EDINBURGH 15 July 1987

SECRETARY

AUDITORS' REPORT TO THE MEMBERS OF

A.M. GILLIES LIMITED

For the year ended 31st July 1986

We have audited the accounts on pages 3 to 10. Our audit was conducted in accordance with approved auditing standards having regard to the following matters.

At the balance sheet date the company had net liabilities of £47,863. Its continued existance is dependant upon future profitable trading and upon the continuing support of its bankers and the Holding Company Isertal Limited.

In common with many businesses of similar size and organisation the Company's system of control is dependant upon the close involvement of the Directors. Where independent confirmation of the completeness of the accounting records were threrefore not available we have accepted assurances from the Directors that all the Company's transactions have been reflected in the records.

Subject to the matters referred to above, in our opinion the Accounts which have been prepared under the historical cost convention give a true and fair view of the state of the Company's affairs at 31st July, 1986 of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.

Scott-Moncrieff, Thomson, Shiells

EDINBURGH 15 July 1987

SCOTT-MONCRIEFF, THOMSON & SHIELLS, C.A.

A.M. GILLIES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st July 1986

1985			Notes		
£499,757		TURNOVER	2		£215,956
466,529		Less : Cost of Sales			159,287
£ 33,228		GROSS PROFIT			£ 56,669
£ 76,480		Less : Administration Expenses			£ 82,334
£(43,252)		TRADING LOSS	4		£(25,665)
	1,189	Other Income	5	20,563	
	(8,358)	Interest Payable	6	(8,698)	
(7,169)					11,865
£(50,421)		LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			£(13,800)
-		Taxation			-
£(50,421)		LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			£(13,800)
11,358		Accumulated (loss)/profit brought forward			(39,063)
£(39,063)		ACCUMULATED LOSS CARRIED FORWARD			£(52,863)

The Notes on pages 6 to 10 form part of these Accounts.

A.M. GILLIES LIMITED

BALANCE SHEET

As at 31st July 1986

1985			Notes		
		FIXED ASSETS			
£ 39,918		Tangible Assets	7		£ 25,233
		CURRENT ASSETS			
	£ 25,744	Stocks and Work in Progress	8	£ 49,034	
	77,748	Debtors	9	88,291	
	2,144	Cash at Bank and in Hand		381	
	£105,636			£137,706	
		CURRENT LIABILITIES			
		Creditors : Amounts Falling Due			
	167,101	Within One Year	10	199,810	
(61,465)		**NET CURRENT LIABILITIES**			(62,104)
£(21,547)		**TOTAL ASSETS LESS CURRENT LIABILITIES**			£(36,871)
		Creditors : Amounts Falling Due After More Than One Year			
9,438		H.P. Creditors			7,914
		PROVISION FOR LIABILITIES AND CHARGES			
3,078		Deferred Taxation	11		3,078
£(34,063)		**NET LIABILITIES**			£(47,863)
		CAPITAL AND RESERVES			
£ 5,000		Called Up Share Capital	12		£ 5,000
(39,063)		Profit and Loss Account			(52,863)
£(34,063)		**TOTAL CAPITAL EMPLOYED**			£(47,863)

The Accounts on pages 3 to 10 were approved by the Board of Directors on ....15.Sept.1987.. and are signed on its behalf by:

..... Director

..... Director

The Notes on pages 6 to 10 form part of these Accounts.

A.M. GILLIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31st July 1986

	1986	1985
SOURCE OF FUNDS		
Loss on Ordinary Activities before taxation	£ (13,800)	£ (50,421)
Adjustment for items not involving the movement of working capital		
Depreciation	10,334	11,470
Profit on disposal of fixed assets	(19,613)	-
Total generated from operations	£ (23,079)	£ (38,951)
FUNDS FROM OTHER SOURCES		
Sale of tangible fixed assets	40,505	-
	£ 17,426	£ (38,951)
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	16,541	4,365
Taxation paid	-	1,703
	£ 16,541	£ 6,068
Working Capital decrease	£ 885	£ (45,019)
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stocks and Work in Progress	£ 23,290	£ (38,720)
Debtors and Prepayments	10,543	32,948
Creditors	(25,881)	(14,245)
	£ 7,952	£ (20,017)
MOVEMENT IN NET LIQUID FUNDS		
Bank and Cash	(7,067)	(25,002)
	£ 885	£ (45,019)

A.M. GILLIES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31st July 1986

1. ACCOUNTING POLICIES

Basis of Accounting

The accounts have been prepared on the historical cost basis of accounting.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:-

Plant and Machinery	10 years
Motor Vehicles	4 years
Furniture and Fittings	10 years
Office Equipment	6 2/3 years

Stocks and Work in Progress

Stocks are valued at the lower of cost and net realisable value in the ordinary course of business. Cost of work-in-progress and finished goods includes all production overheads and the appropriate proportion of indirect overhead expenses.

Deferred Taxation

Deferred taxation is provided on the liability method unless there is reasonable probability that such liability will not arise within three years of the end of the financial year. Advance corporation tax recoverable, is deducted from the deferred taxation liability.

2. TURNOVER

Turnover and pre-tax profit are attributable to the Company's principal activity of building contractors. The turnover of £215,956 (1985 - £499,757) was all earned in Scotland.

3. STAFF NUMBERS AND COSTS

The average weekly number of employees of the Company during the year, including directors, was:-

	1986	1985
Office and Management	6	6
Tradesmen and Manual Workers	18	20
	24	26

3. STAFF NUMBERS AND COSTS - Continued

The aggregate remuneration and associated costs of the Company's employees were:-

	1986	1985
Wages and salaries	£100,263	£159,083
Social security costs	9,023	20,402
	£109,286	£179,485

4. TRADING LOSS

	1986	1985
The trading loss is stated after charging:		
Directors' renumeration	£ -	£ 30,594
Hire of plant and machinery	3,307	4,770
Auditors' remuneration (including expenses)	5,000	6,000
Depreciation of tangible fixed assets	10,334	11,470
Leasing charges	4,070	776

5. OTHER INCOME

	1986	1985
Plant Hire	£ 950	£ 1,189
Profit on sale of fixed assets	19,613	-
	£ 20,563	£ 1,189

6. INTEREST PAYABLE

	1986	1985
Interest on bank overdraft and loans wholly repayable within five years	£ 6,091	£ 4,450
Hire purchase interest	2,607	3,908
	£ 8,698	£ 8,358

7. TANGIBLE ASSETS

	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Total
Cost					
At 31st July 1985	£ 21,944	£ 28,568	£ 120	£ 14,145	£ 64,777
Additions during year	396	15,326	-	809	16,531
Disposals during year	(18,797)	(13,000)	-	-	(31,797)
At 31st July 1986	£ 3,543	£ 30,894	£ 120	£ 14,954	£ 49,511
Depreciation					
At 31st July 1985	£ 4,822	£ 15,609	£ 36	£ 4,392	£ 24,859
Depreciation on disposals	(4,415)	(6,500)	-	-	(10,915)
	£ 407	£ 9,109	£ 36	£ 4,392	£ 13,944
Provided for year	355	7,725	12	2,242	10,334
At 31st July 1986	£ 762	£ 16,834	£ 48	£ 6,634	£ 24,278
Net Book Value					
At 31st July 1986	£ 2,781	£ 14,060	£ 72	£ 8,320	£ 25,233
At 31st July 1985	£ 17,122	£ 12,959	£ 84	£ 9,753	£ 39,918

8. STOCKS AND WORK-IN-PROGRESS

	1986	1985
Work-in-progress	£ 49,034	25,744

9. DEBTORS

	1986	1985
Trade debtors	£ 14,636	£ 15,253
Amounts due from group companies	73,655	62,495
	£ 88,291	£ 77,748

10. CREDITORS : Amounts Falling Due Within One Year

	1986	1985
Current instalments due on loans	£ 6,000	£ 6,000
Bank loans and overdraft	33,619	28,315
Trade creditors	27,978	21,127
Current corporation tax	-	-
Social security costs and other taxes	43,550	54,284
Other creditors	353	1,073
Accruals	15,600	10,600
Amounts due to Group Companies	66,745	41,554
Obligations under Hire Purchase Contracts	5,965	4,148
	£199,810	£167,101

11. DEFERRED TAXATION

There is a potential liability for deferred taxation based on a corporation tax rate of 30% which has arisen as follows:

	1986		1985	
	Potential Liability	Amount Provided	Potential Liability	Amount Provided
Accelerated Capital Allowances	£ 9,170	£ 3,078	£ 9,170	£ 3,078

12. CALLED UP SHARE CAPITAL

	1986	1985
Authorised		
Ordinary £1 shares	£ 5,000	£ 5,000
Issued		
Ordinary £1 shares fully paid	£ 5,000	£ 5,000

13. COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure contracte for but not provided in the accounts amounted to £Nil (1985 - £Nil).

Capital expenditure authorised by the Directors but not contracted for was £Nil (1985 - £Nil).