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A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 1995



A M GILLIES LIMITED

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For the year ended 27 August 1995

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Directors

A M Gillies
W K Stein

Secretary

A M Gillies

Auditors

Scott-Moncrieff Downie Wilson

Bankers

Bank of Scotland

Solicitors

Brodies WS

Registered office

15 Atholl Crescent
Edinburgh
EH3 8HA

A M GILLIES LIMITED

Directors' Report

For the year ended 27 August 1995

The directors submit their annual report and audited financial statements for the year ended 27 August 1995.

Results for the year

The results for the year are as shown in the attached financial statements. The directors recommend that no dividend be paid, and that the loss for the year be carried to reserves.

Principal activities and review of the business

The principal activity of the company during the year was that of a building contractor.

Trading is still suffering the effects of the recession with no immediate prospect of improvement.

Directors and their interests

In accordance with the Articles of Association, none of the directors fall due to retire. Mr A M Gillies is a director of, and major shareholder in Isertal Limited and his interest in the share capital is disclosed in the Directors' Report of that company. The directors during the year and their interests in the share capital of the company, including family interests were as follows:

	Ordinary shares of £1 each	
	27 August 1995	27 August 1994
Mr A M Gillies	-	-
Mr W K Stein	1,200	1,200

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;

Directors' responsibilities - continued

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 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.

Auditors

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

A resolution to re-appoint Scott-Moncrieff Downie Wilson, Chartered Accountants as auditors will be put to the members at the annual general meeting.

By order of the board

Secretary
A M Gillies

Edinburgh 3/3/ **1997**

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 1995

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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 as at 27 August 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lieut - Honeary Louise Wilson

SCOTT-MONCRIEFF DOWNIE WILSON
17 Melville Street
Edinburgh
EH3 7PH

3 March 1997

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 1995

	Notes	1995 £	Restated 1994 £
Turnover - continuing operations	2	359,281	236,946
Cost of sales		(324,456)	(242,788)
Gross profit/(loss)		34,825	(5,842)
Administration expenses		(50,234)	(46,182)
Operating (loss) - continuing operations	4	(15,409)	(52,024)
Interest payable	5	(201)	(301)
(Loss) on ordinary activities before taxation		(15,610)	(52,325)
Taxation	6	-	-
(Loss) on ordinary activities after taxation		(15,610)	(52,325)
Dividends	7	(4,495)	(4,495)
(Loss) for the financial period	14	(20,105)	(56,820)

The company has no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements

A M GILLIES LIMITED

Balance Sheet

As at 27 August 1995

	Notes	1995		Restated 1994	
		£	£	£	£
Fixed assets					
Tangible assets	8		10,208		11,398
Current assets					
Stocks	9	15,019		41,430	
Debtors	10	322,703		369,218	
Cash at bank and in hand		39		38	
		337,761		410,686	
Creditors : Amounts falling due within one year	11	(401,659)		(464,787)	
Net current liabilities			(63,898)		(54,101)
Total assets less current liabilities			(53,690)		(42,703)
Creditors: Amounts falling due after more than one year	12		(38,607)		(29,489)
			(92,297)		(72,192)
Capital and reserves					
Called up share capital	13		36,000		36,000
Profit and loss account	14		(128,297)		(108,192)
			(92,297)		(72,192)

The financial statements were approved by the directors on 3/3/97

..... Director
A M Gillies

The notes on pages 6 to 11 form part of these financial statements

1. Accounting policies

Basis of accounting

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

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
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 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.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership the assets are treated as if they had been purchased outright. The amount capitalised is the cost of the asset to the lessor and this is depreciated over its useful economic life. The corresponding leasing commitments are shown as amounts payable to the lessor. Lease payments are split between capital and interest. The interest element is charged to the profit and loss account while the capital portion reduces the amounts payable to the lessor.

Cash Flow Statement

The company is defined as a small company and has taken advantage of the exemption under Financial Reporting Standard 1 not to prepare a Cash Flow Statement.

2. Turnover

Turnover and the profit on ordinary activities are attributable to the company's principal activity of building contractors within UK. Turnover represents sales invoiced, net of value added tax.

3. Staff numbers and costs

The average weekly number of employees during the year was made up as follows :-	1995 Number	1994 Number
Office and management	3	3
Tradesmen and manual workers	6	7
	9	10

The aggregate remuneration and associated costs of the company's employees were:-	1995 £	1994 £
Wages and salaries	128,440	135,536
Social security costs	12,744	10,944
Pension costs	3,219	-
	144,403	146,480

All pension payments relate to contributions by the company to employee personal pension plans.

4. Operating (loss)/profit

The operating profit is stated after charging:	1995 £	1994 £
Directors' remuneration		
- As managers (including benefits in kind)	25,134	25,439
- Pension contributions	3,219	-
Hire of plant and machinery	9,952	6,217
Auditors' remuneration		
- for services as auditors	3,075	2,175
- for accountancy	3,075	2,175
Depreciation	8,648	10,272
Leasing charges	-	5,060

The highest paid director received £21,191. No other director received any remuneration.

5. Interest payable

	1995 £	1994 £
Hire purchase interest	201	301

6. Taxation

There is no liability to taxation due to the incidence of losses.

7. Dividends

	1995 £	1994 £
Non-equity dividends on preference shares		
Due for payment on 31 March accrued	2,248	2,248
Due for payment on 31 October accrued	2,247	2,247
	4,495	4,495

8. Tangible assets

Cost	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
At 28 August 1994	10,916	45,097	25,148	81,161
Additions	-	7,330	128	7,458
At 27 August 1995	10,916	52,427	25,276	88,619
Depreciation				
At 28 August 1994	7,107	40,153	22,503	69,763
Provided for year	767	6,773	1,108	8,648
At 27 August 1995	7,874	46,926	23,611	78,411
Net book value				
At 27 August 1995	3,042	5,501	1,665	10,208
At 27 August 1994	3,809	4,944	2,645	11,398

The net book value of assets held under hire purchase agreements was £5,497.

9. Stocks

	1995 £	1994 £
Raw materials	-	-
Work in progress	15,019	41,430
	15,019	41,430

10. Debtors

	1995	1994
	£	£
Trade debtors	13,477	2,949
Amounts due from group companies	309,226	366,269
	322,703	369,218

11. Creditors : Amounts falling due within one year

	1995	1994
	£	£
Bank overdraft	172,630	239,626
Trade creditors	45,885	70,728
Amounts due to group companies	12,241	39,418
Social security and other taxes	147,195	97,561
Accruals	21,974	17,272
Other creditors	-	182
Hire purchase creditors	1,734	-
	401,659	464,787

The company meets its day to day working capital requirements through an overdraft facility provided to the Isertal Group which is repayable on demand. While no formal arrangement is in place the Group expects to operate within the ceiling which has been applied and this is anticipated to continue. These views are based on the Group's plans and on discussions with the company's bankers.

The Bank of Scotland holds letters of cross guarantee and offset with Isertal Limited and a letter of guarantee from A M and Mrs C A Gillies.

12. Creditors : Amounts falling due after more than one year

	1995	1994
	£	£
Unpaid dividends	33,984	29,489
Hire purchase creditors (all due within 2 to 5 years)	4,623	-
	38,607	29,489

13. Called up share capital

	1995	1994
	£	£
Authorised		
Ordinary £1 shares	5,000	5,000
Redeemable preference £1 shares	31,000	31,000
	36,000	36,000
Issued		
Equity		
Ordinary £1 shares	5,000	5,000
Non-equity		
Redeemable preference £1 shares	31,000	31,000
	36,000	36,000

13. Share capital - continued

Rights of non-equity interests

Cumulative redeemable preference shares

(1) Entitle holders to a preference dividend of 14.5% per annum per share payable on 31 March and 31 October each year.

(2) On a winding up, rank prior to ordinary shares.

(3) When dividend is over six months in arrears, holders are entitled to vote.

(4) May be redeemed at the option of the holder out of profits available for dividend or from a fresh issue of shares. One month's notice is required and dividends are payable to the date of redemption.

14. Reserves

	1995	1994
	£	£
Opening balance	(108,192)	(26,378)
Prior year adjustment	-	(24,994)
	(108,192)	(51,372)
Loss for the year	(20,105)	(56,820)
	(128,297)	(108,192)

15. Prior year adjustment

FRS 4 - Capital Instruments was issued in December 1993 and requires cumulative dividends to be accrued in the periods in which they fall due. In order to comply with FRS 4, a prior year adjustment has been incorporated in these accounts to reflect the accrued dividends on the preference shares. The effect of complying with FRS 4 is to increase the loss by £4,495 in each of the two years to 27 August 1995 as detailed in note 7.

16. Reconciliation of movement in shareholders' funds

	1995	1994
	£	£
Loss for the financial year	(20,105)	(56,820)
Shareholders' funds at 28 August 1994	(72,192)	9,622
Prior year adjustment	-	(24,994)
Shareholders' funds at 27 August 1995	(92,297)	(72,192)

17. Analysis of shareholders funds

	1995 £	1994 £
Equity interests	(157,281)	(132,681)
Non-equity interests		
14.5% cumulative redeemable preference shares of £1	31,000	31,000
Unpaid dividends:		
14.5% cumulative redeemable preference shares of £1	33,984	29,489
	(92,297)	(72,192)

18. Holding company

The ultimate holding company is Isertal Limited, a company incorporated in Scotland.

19. Commitments and contingent liabilities

Capital expenditure contracted for but not provided in the financial statements amounted to £Nil (1994 - £Nil).

Capital expenditure authorised by the directors but not contracted for was £Nil (1994 - £Nil).