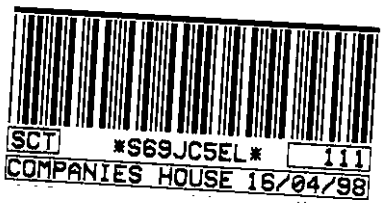
A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 1996



A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 1996

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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 1996

The directors submit their annual report and audited financial statements for the year ended 27 August 1996.

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 1996	**27 August 1995**
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

16 April 1998

Secretary
A M Gillies

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 1996

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff Downie Wilson

SCOTT-MONCRIEFF DOWNIE WILSON
Chartered Accountants and Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

16 April 1998

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 1996

	Notes	1996 £	1995 £
Turnover - continuing operations	2	276,766	359,281
Cost of sales		(245,128)	(324,456)
Gross profit/(loss)		31,638	34,825
Administration expenses		(53,723)	(50,234)
Operating (loss) - continuing operations	4	(22,085)	(15,409)
Interest payable	5	(425)	(201)
(Loss) on ordinary activities before taxation		(22,510)	(15,610)
Taxation	6	-	-
(Loss) on ordinary activities after taxation		(22,510)	(15,610)
Dividends	7	(4,495)	(4,495)
(Loss) for the financial period	14	(27,005)	(20,105)

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 1996

	Notes	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	8		6,965		10,208
Current assets					
Stocks	9	5,000		15,019	
Debtors	10	281,736		322,703	
Cash at bank and in hand		40		39	
		286,776		337,761	
Creditors : Amounts falling due within one year	11	(371,674)		(401,659)	
Net current liabilities			(84,898)		(63,898)
Total assets less current liabilities			(77,933)		(53,690)
Creditors: Amounts falling due after more than one year	12		(41,369)		(38,607)
			(119,302)		(92,297)
Capital and reserves					
Called up share capital	13		36,000		36,000
Profit and loss account	14		(155,302)		(128,297)
			(119,302)		(92,297)

The financial statements were approved by the directors on 16 Dec 1998

..... 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 :-	1996 Number	1995 Number
Office and management	3	3
Tradesmen and manual workers	6	6
	9	9

The aggregate remuneration and associated costs of the company's employees were:-	1996 £	1995 £
Wages and salaries	127,138	128,440
Social security costs	12,200	12,744
Pension costs	3,949	3,219
	143,287	144,403

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

4. Operating loss

The operating loss is stated after charging:	1996 £	1995 £
Directors' remuneration		
- As managers (including benefits in kind)	25,814	25,134
- Pension contributions	3,949	3,219
Hire of plant and machinery	2,926	9,952
Auditors' remuneration		
- for services as auditors	2,500	3,075
- for accountancy	2,565	3,075
Depreciation	3,243	8,648

The highest paid director received £29,763 (1995 - £28,353). No other director received any remuneration.

5. Interest payable

	1996 £	1995 £
Hire purchase interest	425	201

6. Taxation

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

7. Dividends

	1996 £	1995 £
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

	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
Cost				
At 28 August 1995 and 27 August 1996	10,916	52,427	25,276	88,619
Depreciation				
At 28 August 1995	7,874	46,926	23,611	78,411
Provided for year	726	1,833	684	3,243
At 27 August 1996	8,600	48,759	24,295	81,654
Net book value				
At 27 August 1996	2,316	3,668	981	6,965
At 28 August 1995	3,042	5,501	1,665	10,208

The net book value of assets held under hire purchase agreements was £3,664. Depreciation provided during the year on these assets was £1,833.

9. Stocks

	1996 £	1995 £
Work in progress	5,000	15,019

10. Debtors

	1996	1995
	£	£
Trade debtors	10,860	13,477
Amounts due from group companies	270,876	309,226
	281,736	322,703

11. Creditors : Amounts falling due within one year

	1996	1995
	£	£
Bank overdraft	150,957	172,630
Trade creditors	16,912	45,885
Amounts due to group companies	12,241	12,241
Social security and other taxes	148,497	147,195
Accruals	41,333	21,974
Hire purchase creditors	1,734	1,734
	371,674	401,659

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

	1996	1995
	£	£
Unpaid dividends	38,479	33,984
Hire purchase creditors (all due within 2 to 5 years)	2,890	4,623
	41,369	38,607

13. Called up share capital

	1996	1995
	£	£
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

	Profit and Loss Account
	£
At 28 August 1995	(128,297)
Loss for the year	(27,005)
At 27 August 1996	(155,302)

15. Reconciliation of movement in shareholders' funds

	1996	1995
	£	£
Loss for the financial year	(27,005)	(20,105)
Shareholders' funds at 28 August 1995	(92,297)	(72,192)
Shareholders' funds at 27 August 1996	(119,302)	(92,297)

17. Analysis of shareholders funds

	1996 £	1995 £
Equity interests	(188,781)	(157,281)
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	38,479	33,984
	(119,302)	(92,297)

Unpaid dividends have been accrued over the preceding 8 - 10 years.

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 (1995 - £Nil).

Capital expenditure authorised by the directors but not contracted for was £Nil (1995 - £Nil).

A M GILLIES LIMITED

Detailed Profit and Loss Account

For the year ended 27 August 1996

	1996		1995	
	£	£	£	£
Turnover		276,766		359,281
Cost of sales				
Labour	115,631		117,596	
Directors' remuneration	21,871		23,587	
Pension costs and keyman insurance	3,949		4,209	
Materials	69,064		62,989	
Travel and accommodation	15,435		17,425	
Motor expenses	6,762		6,847	
Subcontractors	(529)		55,440	
Plant hire	2,926		9,952	
	235,109		298,045	
Opening work in progress	15,019		41,430	
	250,128		339,475	
Closing work in progress	5,000		(15,019)	
		245,128		(324,456)
		31,638		34,825
Administration expenses				
Other admin wages	1,836		1,836	
Electricity	950		998	
Rent, rates and insurance	18,749		17,526	
Telephone	1,500		1,546	
Stationery	712		461	
Advertising	100		230	
Audit fees	5,065		6,150	
Professional fees	160		580	
Hire purchase interest	425		201	
Bank charges	1,601		881	
VAT penalties	16,537		8,326	
Depreciation	3,243		8,648	
Miscellaneous	2,739		2,835	
Machinery repairs	531		217	
		54,148		(50,435)
(Loss) for the financial year		(22,510)		(15,610)
Dividends on preference shares		(4,495)		(4,495)
		(27,005)		(20,105)