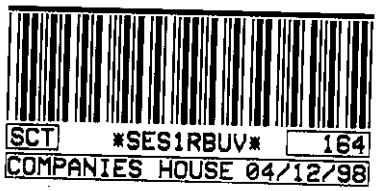
A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 1997



A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 1997

Contents **Pages**

Directors' Report	1 - 2
Auditors' Report to the Members	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6 - 11

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 1997

The directors submit their annual report and audited financial statements for the year ended 27 August 1997.

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.

The directors are of the opinion that it is appropriate to prepare the financial statements under the going concern basis of accounting. 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 company has substantial current liabilities owing to the Inland Revenue and H M Customs and Excise. These liabilities are payable on demand. Currently, the company does not have funds available to discharge these liabilities. The directors are of the opinion that it is unlikely that these liabilities will be demanded in full before arrangements have been put in place to meet them.

Since the balance sheet date, the group directors have secured new tenancies in properties owned by the holding company. The group directors are endeavouring to develop further lettings of properties owned by the holding company and to secure tenancies. The group directors are of the opinion that the tenancies already secured and the prospective tenancies will generate surplus funds which will be made available to meet the liabilities of the group.

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 1997	27 August 1996
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;

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

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

4/12/1998

Secretary
A M Gillies

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 1997

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 2 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.

In forming our opinion, we have considered the adequacy of the disclosures made in note 11 to the financial statements, concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facilities and its ability to meet other liabilities which may become payable on demand. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 1997 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

4 December 1998

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 1997

	Notes	1997 £	1996 £
Turnover - continuing operations	2	190,588	276,766
Cost of sales		(165,316)	(245,128)
Gross profit		25,272	31,638
Administration expenses		(45,713)	(53,723)
Operating loss - continuing operations	4	(20,441)	(22,085)
Interest payable	5	(425)	(425)
Loss on ordinary activities before taxation		(20,866)	(22,510)
Taxation	6	-	-
Loss on ordinary activities after taxation		(20,866)	(22,510)
Dividends	7	(4,495)	(4,495)
Loss for the financial year	14	(25,361)	(27,005)

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 1997

	Notes	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		3,940		6,965
Current assets					
Stocks	9	8,108		5,000	
Debtors	10	294,459		281,736	
Cash at bank and in hand		40		40	
		302,607		286,776	
Creditors : Amounts falling due within one year	11	(407,080)		(371,674)	
Net current liabilities			(104,473)		(84,898)
Total assets less current liabilities			(100,533)		(77,933)
Creditors: Amounts falling due after more than one year	12		(44,130)		(41,369)
			(144,663)		(119,302)
Capital and reserves					
Called up share capital	13		36,000		36,000
Profit and loss account	14		(180,663)		(155,302)
			(144,663)		(119,302)

The financial statements were approved by the directors on 4/12/1998

W K Stein ..... Director

W K Stein

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 :-	1997 Number	1996 Number
Office and management	3	3
Tradesmen and manual workers	5	6
	8	9

The aggregate remuneration and associated costs of the company's employees were:-	1997 £	1996 £
Wages and salaries	132,540	127,138
Social security costs	10,437	12,200
Pension costs	5,942	3,949
	148,919	143,287

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

4. Operating loss

The operating loss is stated after charging:	1997 £	1996 £
Directors' remuneration		
- As managers (including benefits in kind)	31,928	25,814
- Pension contributions	1,758	3,949
Hire of plant and machinery	-	2,926
Auditors' remuneration		
- for services as auditors	2,700	2,500
- for accountancy services	3,340	2,565
Depreciation	3,025	3,243

5. Interest payable

	1997 £	1996 £
Hire purchase interest	425	425

6. Taxation

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

7. Dividends

	1997 £	1996 £
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 1996 and 27 August 1997	10,916	52,427	25,276	88,619
Depreciation				
At 28 August 1996	8,600	48,759	24,295	81,654
Provided for year	734	1,833	458	3,025
At 27 August 1997	9,334	50,592	24,753	84,679
Net book value				
At 27 August 1997	1,582	1,835	523	3,940
At 27 August 1996	2,316	3,668	981	6,965

The net book value of assets held under hire purchase agreements was £1,832. Depreciation provided during the year on these assets was £1,833.

9. Stocks

	1997 £	1996 £
Work in progress	8,108	5,000

10. Debtors

	1997	1997
	£	£
Trade debtors	12,079	10,860
Amounts due from group companies	277,166	270,876
Prepayments	5,214	-
	294,459	281,736

11. Creditors : Amounts falling due within one year

	1997	1996
	£	£
Bank overdraft	60,154	150,957
Trade creditors	44,542	16,912
Amounts due to group companies	12,241	12,241
Social security and other taxes	265,792	148,497
Accruals	22,617	41,333
Hire purchase creditors	1,734	1,734
	407,080	371,674

The directors are of the opinion that it is appropriate to prepare the financial statements under the going concern basis of accounting.

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 Mr A M Gillies and Mrs C A Gillies.

The company has substantial current liabilities owing to the Inland Revenue and H M Customs and Excise. These liabilities are payable on demand. Currently, the company does not have funds available to discharge these liabilities. The directors are of the opinion that it is unlikely that these liabilities will be demanded in full before arrangements have been put in place to meet them.

Since the balance sheet date, the group directors have secured new tenancies in properties owned by the holding company. The group directors are endeavouring to develop further lettings of properties owned by the holding company and to secure tenancies. The group directors are of the opinion that the tenancies already secured and the prospective tenancies will generate surplus funds which will be made available to meet the liabilities of the group.

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

	1997	1996
	£	£
Unpaid dividends	42,974	38,479
Hire purchase creditors (all due within 2 to 5 years)	1,156	2,890
	44,130	41,369

13. Called up share capital

	1997 £	1996 £
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

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 1996	(155,302)
Loss for the financial year	(25,361)
At 27 August 1997	(180,663)

15. Reconciliation of movement in shareholders' funds

	1997 £	1996 £
Loss for the financial year	(25,361)	(27,005)
Shareholders' funds at 28 August 1996	(119,302)	(92,297)
Shareholders' funds at 27 August 1997	(144,663)	(119,302)

16. Analysis of shareholders funds

	1997 £	1996 £
Equity interests	(218,637)	(188,781)
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	42,974	38,479
	(144,663)	(119,302)

Unpaid dividends have been accrued over the preceding 11 years.

17. Holding company

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

18. Commitments and contingent liabilities

Capital expenditure contracted for but not provided in the financial statements amounted to £Nil (1996 - £Nil).

Capital expenditure authorised by the directors but not contracted for was £Nil (1996 - £Nil).