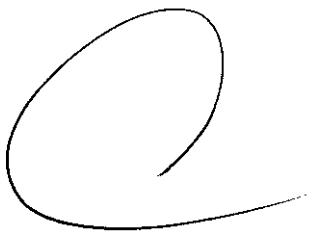
A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 1998





A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 1998

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Directors

A M Gillies
W K Stein

Secretary

A M Gillies

Auditors

Scott-Moncrieff

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 1998

The directors submit their annual report and audited financial statements for the year ended 27 August 1998.

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 profit 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. The company carries out significant amounts of work for other group companies, and since the balance sheet date the group directors have secured new tenancies in properties owned by the holding company which will provide further work for the company.

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 1998	27 August 1997
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.

Year 2000

The directors are continuing to review the risks associated with the Year 2000 problem, both with regard to internal use of computer systems and embedded chips and in connection with relationships with third parties. They are satisfied that these steps will be completed in sufficient time to eliminate any potential problems. They do not expect the costs of ensuring Year 2000 compliance to be significant.

Auditors

Scott-Moncrieff Downie Wilson changed their name to Scott-Moncrieff on 1 March 1999 and have signed the auditors' report in their new name.

A resolution to appoint Scott-Moncrieff as auditors, in accordance with section 385 of the Companies Act 1985 will be put to the members at the annual general meeting.

By order of the board

23 June 1999

Secretary
A M Gillies

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 1998

We have audited the financial statements on pages 4 to 12 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott - Moncneff

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

23 June 1999

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 1998

	Notes	1998 £	1997 £
Turnover - continuing operations	2	946,740	190,588
Cost of sales		(851,378)	(165,316)
Gross profit		95,362	25,272
Administration expenses		(73,984)	(45,713)
Operating profit/(loss) - continuing operations	4	21,378	(20,441)
Interest payable	5	(772)	(425)
Profit/(loss) on ordinary activities before taxation		20,606	(20,866)
Taxation	6	-	-
Profit/(loss) on ordinary activities after taxation		20,606	(20,866)
Dividends	7	(4,495)	(4,495)
Profit/(loss) for the financial year	14	16,111	(25,361)

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

The notes on pages 6 to 12 form part of these financial statements

A M GILLIES LIMITED

Balance Sheet

As at 27 August 1998

	Notes	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	8		18,720		3,940
Current assets					
Stocks	9	-		8,108	
Debtors	10	316,246		294,459	
Cash at bank and in hand		42		40	
		316,288		302,607	
Creditors : Amounts falling due within one year	11	(404,094)		(407,080)	
Net current liabilities			(87,806)		(104,473)
Total assets less current liabilities			(69,086)		(100,533)
Creditors: Amounts falling due after more than one year	12		(59,466)		(44,130)
			(128,552)		(144,663)
Capital and reserves					
Called up share capital	13		36,000		36,000
Profit and loss account	14		(164,552)		(180,663)
			(128,552)		(144,663)

The financial statements were approved by the directors on 23 June 1999

W H Gillies ..... Director

The notes on pages 6 to 12 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

	1998 Number	1997 Number
The average weekly number of employees during the year was made up as follows :-		
Office and management	3	3
Tradesmen and manual workers	5	5
	8	8

The aggregate remuneration and associated costs of the company's employees were:-	1998 £	1997 £
Wages and salaries	137,624	132,540
Social security costs	10,698	10,437
Pension costs	3,343	5,942
	151,665	148,919

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

4. Operating profit

The operating profit is stated after charging:	1998 £	1997 £
Directors' remuneration		
- As managers (including benefits in kind)	36,661	31,928
- Pension contributions	2,603	1,758
Hire of plant and machinery	11,472	-
Auditors' remuneration		
- for services as auditors	2,800	2,700
- for accountancy services	-	3,340
Depreciation	8,659	3,025

5. Interest payable

	1998 £	1997 £
Hire purchase interest	772	425
Overdraft interest	-	-

6. Taxation

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

7. Dividends

	1998	1997
	£	£
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 1997	10,916	52,427	25,276	88,619
Additions	-	23,439	-	23,439
Disposals	-	(34,337)	-	(34,337)
At 27 August 1998	10,916	41,529	25,276	77,721
Depreciation				
At 28 August 1997	9,334	50,592	24,753	84,679
Provided for year	719	7,692	248	8,659
Disposals	-	(34,337)	-	(34,337)
At 27 August 1998	10,053	23,947	25,001	59,001
Net book value				
At 27 August 1998	863	17,582	275	18,720
At 27 August 1997	1,582	1,835	523	3,940

Under motor vehicles the net book value of assets held under hire purchase agreements was £17,582. Depreciation provided during the year on these assets was £7,692.

9. Stocks

	1998	1997
	£	£
Work in progress	-	8,108

10. Debtors

	1998	1997
	£	£
Trade debtors	20,303	12,079
Amounts due from group companies	295,943	277,166
Prepayments	-	5,214
	316,246	294,459

11. Creditors : Amounts falling due within one year

	1998	1997
	£	£
Bank overdraft	131,944	60,154
Trade creditors	55,282	44,542
Amounts due to group companies	-	12,241
Social security and other taxes	191,445	265,792
Accruals	19,240	22,617
Hire purchase creditors	5,655	1,734
Other creditors	528	-
	404,094	407,080

In connection with the bank overdraft, 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.

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

	1998	1997
	£	£
Unpaid dividends	47,469	42,974
Hire purchase creditors (all due within 2 to 5 years)	11,997	1,156
	59,466	44,130

13. Called up share capital

	1998 £	1997 £
Authorised		
Ordinary £1 shares	5,000	5,000
Redeemable preference £1 shares	31,000	31,000
	36,000	36,000
Issued and fully paid		
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 1997	(180,663)
Profit for the financial year	16,111
At 27 August 1998	(164,552)

15. Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit/(loss) for the financial year	16,111	(25,361)
Shareholders' funds at 28 August 1997	(144,663)	(119,302)
Shareholders' funds at 27 August 1998	(128,552)	(144,663)

16. Analysis of shareholders funds

	1998 £	1997 £
Equity interests	(207,021)	(218,637)
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	47,469	42,974
	(128,552)	(144,663)

Unpaid dividends have been accrued over the preceding 12 years.

17. Holding company

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

18. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8, in relation to subsidiary companies whose voting rights are controlled within the group to the extent of 90% or more, not to disclose transactions with other group companies.

19. Commitments and contingent liabilities

Capital expenditure contracted for but not provided in the financial statements amounted to £Nil (1997 - £Nil).

Capital expenditure authorised by the directors but not contracted for was £Nil (1997 - £Nil).