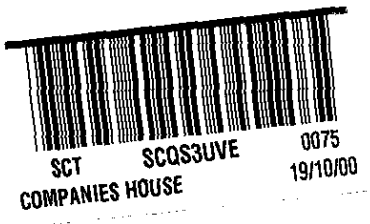
A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 1999



A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 1999

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Directors

A M Gillies
W K Stein

Secretary

A M Gillies

Auditors
Scott-Moncrieff
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh EH3 7PH

Bankers
Bank of Scotland
38 St Andrew Square
Edinburgh EH2 2YR

Solicitors
Brodies WS
15 Atholl Crescent
Edinburgh

Registered office

15 Atholl Crescent
Edinburgh
EH3 8HA

A M GILLIES LIMITED

Directors' Report

For the year ended 27 August 1999

The directors submit their annual report and audited financial statements for the year ended 27 August 1999.

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. 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 1999	27 August 1998
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 1st January 2000 has now passed and the company has experienced no major problems either with its own systems and equipment or in connection with relationships with third parties but will continue to monitor potential areas of risk for the foreseeable future. Costs of compliance have not been material to the size of the company's business.

Auditors

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

A M Gillies
Secretary

17/10/ 2000

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 1999

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.

In forming our opinion, we have considered the adequacy of the disclaimer made in note 10 to the financial statements concerning the uncertainty as to the company's ability to meet its current 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

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

17 October 2000

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 1999

	Notes	1999 £	1998 £
Turnover - continuing operations	2	478,970	946,740
Cost of sales		(454,697)	(851,378)
Gross profit		24,273	95,362
Administrative expenses		(67,847)	(73,984)
Operating (loss)/profit - continuing operations	4	(43,574)	21,378
Interest payable	5	(1353)	(772)
(Loss)/profit on ordinary activities before taxation		(44,927)	20,606
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit on ordinary activities after taxation		(44,927)	20,606
Dividends	7	(4,495)	(4,495)
(Loss)/profit for the financial year	14	(49,422)	16,111

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

There is no difference between the profit on ordinary activities for the year stated above and its historical cost equivalent.

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

A M GILLIES LIMITED

Balance Sheet

As at 27 August 1999

	Notes	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	8		13,484		18,720
Current assets					
Stocks		-		-	
Debtors	9	225,067		316,246	
Cash at bank and in hand		246		42	
		225,313		316,288	
Creditors : Amounts falling due within one year	10	(357,309)		(404,094)	
Net current liabilities			(131,996)		(87,806)
Total assets less current liabilities			(118,512)		(69,086)
Creditors: Amounts falling due after more than one year	11		(59,462)		(59,466)
			(177,974)		(128,552)
Capital and reserves					
Equity share capital			5,000		5,000
Non-equity share capital			31,000		31,000
Called up share capital	12		36,000		36,000
Profit and loss account	13		(213,974)		(164,552)
Shareholders' funds			(177,974)		(128,552)

The financial statements were approved by

the directors on 17/10/00 2000

..... 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

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.

Pension

The company operates a defined contributions pension scheme for one of the directors. There were no contributions to the scheme outstanding at the balance sheet date.

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

	1999 Number	1998 Number
The average weekly number of employees during the year was made up as follows :-		
Office and management	2	3
Tradesmen and manual workers	4	5
	6	8

The aggregate remuneration and associated costs of the company's employees were:-	1999 £	1998 £
Wages and salaries	85,592	137,624
Social security costs	9,342	10,698
Pension costs	2,863	3,343
	97,797	151,665

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

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging:	1999 £	1998 £
Directors' remuneration		
- As managers (including benefits in kind)	34,969	36,661
- Pension contributions	2,863	2,603
Director's emoluments	37,832	39,264
Hire of plant and machinery	3,514	11,472
Auditors' remuneration		
- for services as auditors	2,800	2,800
- for accountancy services	-	-
Depreciation	6,840	8,659

5. Interest payable

	1999 £	1998 £
Hire purchase interest	1,353	772

6. Tax on (loss)/profit on ordinary activities

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

7. Dividends

	1999 £	1998 £
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 1998	10,916	41,529	25,276	77,721
Additions	-	-	1,604	1,604
Disposals	-	-	(1,795)	(1,795)
At 27 August 1999	10,916	41,529	25,085	77,530
Depreciation				
At 28 August 1998	10,053	23,947	25,001	59,001
Provided for year	586	5,861	393	6,840
Disposals	-	-	(1,795)	(1,795)
At 27 August 1999	10,639	29,808	23,599	64,046
Net book value				
At 27 August 1999	277	11,721	1,486	13,484
At 27 August 1998	863	17,582	275	18,720

Under motor vehicles the net book value of assets held under hire purchase agreements was £11,721. Depreciation provided during the year on these assets was £5,861.

9. Debtors

	1999 £	1998 £
Trade debtors	16,276	20,303
Amounts due from group companies	208,791	295,943
	225,067	316,246

10. **Creditors :** Amounts falling due within one year	1999	1998
	£	£
Bank overdraft	117,457	131,944
Trade creditors	10,714	55,282
Amounts due to group companies	-	-
Social security and other taxes	207,983	191,445
Accruals	15,978	19,240
Hire purchase creditors	4,498	5,655
Other creditors	679	528
	357,309	404,094

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. The Group expects to operate within its current facilities and this is reflected in the Group's plans.

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.

Although the company has substantial current liabilities owing to H M Customs & Excise, arrangements are in place for a repayment plan. The company has already repaid substantial amounts in connection with this liability.

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.

11. **Creditors :** Amounts falling due after more than one year	1999	1998
	£	£
Unpaid dividends	51,964	47,469
Hire purchase creditors (all due within 2 to 5 years)	7,498	11,997
	59,462	59,466

12. Called up share capital

	1999 £	1998 £
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.

13. Reserves

	Profit and Loss Account £
At 28 August 1998	(164,552)
Loss for the financial year	(49,422)
At 27 August 1999	(213,974)

14. Reconciliation of movement in shareholders' funds	1999 £	1998 £
(Loss)/profit for the financial year	(49,422)	16,111
Shareholders' funds at 28 August 1998	(128,552)	(144,663)
Shareholders' funds at 27 August 1999	(177,974)	(128,552)

15. Analysis of shareholders funds	1999 £	1998 £
Equity interests	(260,938)	(207,021)
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	51,964	47,469
	(177,974)	(128,552)

Unpaid dividends have been accrued over the preceding 12 years.

16. Holding company

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

17. 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.

18. Commitments and contingent liabilities

Capital expenditure contracted for but not provided in the financial statements amounted to £Nil (1998 - £Nil).

Capital expenditure authorised by the directors but not contracted for was £Nil (1998 - £Nil).