A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 2001

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A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 2001

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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 2001

The directors submit their annual report and audited financial statements for the year ended 27 August 2001.

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 other than cumulative preference dividends, 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 2001	27 August 2000
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 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

21/12/2001

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 2001

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

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 2001 and of its profit 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

21 December 2001

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 2001

	Notes	2001 £	2000 £
Turnover - continuing operations	2	929,837	351,871
Cost of sales		858,112	(312,748)
Gross profit		71,725	39,123
Administrative expenses		(33,698)	(27,429)
Operating profit - continuing operations	4	38,027	11,694
Interest payable	5	(1,077)	(1,077)
Profit on ordinary activities before taxation		36,950	10,617
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation		36,950	10,617
Dividends	7	(4,495)	(4,495)
Profit for the financial year		32,455	6,122

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.

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 5 to 11 form part of these financial statements

A M GILLIES LIMITED

Balance Sheet

As at 27 August 2001

	Notes	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	8		12,394		8,436
Current assets					
Stocks		11,550		-	
Debtors	9	249,546		235,135	
Cash at bank and in hand	10	46		290	
		261,142		235,425	
Creditors : Amounts falling due within one year	12	(351,979)		(356,255)	
Net current liabilities			(90,837)		(120,830)
Total assets less current liabilities			(78,443)		(112,394)
Creditors: Amounts falling due after more than one year	13		(60,954)		(59,458)
			(139,397)		(171,852)
Capital and reserves					
Equity share capital			5,000		5,000
Non-equity share capital			31,000		31,000
Called up share capital	14		36,000		36,000
Profit and loss account	15		(175,397)		(207,852)
Shareholders' funds	16		(139,397)		(171,852)

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and were approved by the board of directors on ..... 21/1/2 .....2001 and signed on its behalf by

.....

AM Gillies

The notes on pages 5 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.

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 contribution 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

	2001 Number	2000 Number
The average weekly number of employees during the year was made up as follows :-		
Office and management	2	2
Tradesmen and manual workers	4	5
	6	7

The aggregate remuneration and associated costs of the company's employees were:-	2001 £	2000 £
Wages and salaries	88,269	102,530
Social security costs	8,197	9,262
Pension costs	1,929	1,962
	98,395	113,754
Directors' remuneration		
- As managers (including benefits in kind)	31,559	42,566
- Pension contribution	1,929	1,962
Directors' emoluments	33,488	44,528

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

4. Operating profit

The operating profit is stated after charging:	2001 £	2000 £
Hire of plant and machinery	8,066	2,930
Auditors' remuneration		
- for services as auditors	4,000	4,000
- for accountancy and tax services	-	-
Depreciation	7,528	6,467

5. Interest payable

	2001 £	2000 £
Hire purchase interest	1,077	1,077

6. Tax on profit on ordinary activities

There is no liability to taxation due to the availability of losses carried forward from previous years.

7. Dividends

	2001 £	2000 £
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 2000	10,916	41,529	26,504	78,949
Additions	-	-	11,486	11,486
Disposals	-	(7,330)	-	(7,330)
At 27 August 2001	10,916	34,199	37,990	83,105
Depreciation				
At 28 August 2000	10,852	35,669	23,992	70,513
Provided for year	32	5,860	1,636	7,528
Disposals	-	(7,330)	-	(7,330)
At 27 August 2001	10,884	34,199	25,628	70,711
Net book value				
At 27 August 2001	32	0	12,362	12,394
At 27 August 2000	64	5,860	2,512	8,436

The net book value of motor vehicles held under hire purchase agreements was £Nil (2000 - £5,860). Depreciation provided during the year on these assets was £5,860 (2000 £5,960).

9. Stocks

	2001 £	2000 £
Work in progress	11,550	-

10. Debtors	2001 £	2000 £
Trade debtors	-	6,551
Amounts due from group companies	226,143	228,584
Other debtors	23,403	-
	249,546	235,135

11. Going Concern

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 by the Bank of Scotland which is repayable on demand. The overdraft facility of £300,000 is valid until November 2002 and the Group expects to be able to work within the limit and this is anticipated to continue. These views are based on the Group's plan and on discussion with the company's bankers.

The group has agreed to support the company for the foreseeable future and will not require repayment of the group loans until the company is in a position to do so.

The Bank of Scotland hold the following security:

- Letter of guarantee by A M Gillies and Mrs C A Gillies collateralised by a postponed standard security over dwelling house West Garleton House, Haddington.
- Cross letters of guarantee and letters of offset by Isertal Limited and A M Gillies Limited.
- Assignation of life policy over the life of A M Gillies.

12. Creditors : Amounts falling due within one year	2001 £	2000 £
Bank overdraft	215,983	237,060
Trade creditors	100,541	10,493
Social security and other taxes	6,812	70,524
Accruals	8,121	28,948
Hire purchase creditors	2,999	4,498
Loan from director	-	4,732
Amounts owed to group companies	17,523	-
	351,979	356,255

13. Creditors : Amounts falling due after more than one year	2001 £	2000 £
Unpaid dividends	60,954	56,459
Hire purchase creditors (all due within 2 to 5 years)	-	2,999
	60,954	59,458

14. Called up share capital	2001 £	2000 £
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.

15. Profit and loss reserves

	Profit and Loss Account £
At 28 August 2000	(207,852)
Profit for the financial year	36,950
Dividends	(4,495)
At 27 August 2001	(175,397)

16. Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial year	36,950	10,617
Dividends	(4,495)	(4,495)
Shareholders' funds at 28 August 2000	(171,852)	(177,974)
Shareholders' funds at 27 August 2001	(139,397)	(171,852)

17. Analysis of shareholders funds

	2001 £	2000 £
Equity interests	(231,351)	(259,311)
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	60,954	56,459
	(139,397)	(171,852)

Unpaid dividends have been accrued over the preceding 14 years.

18. Holding company

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

19. 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.