A M GILLIES LIMITED

Registered Number: SC080613

Directors' Report and Financial Statements

For the year ended 27 August 2003

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A M GILLIES LIMITED

Directors' Report and Financial Statements

For the year ended 27 August 2003

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Directors

A M Gillies
W K Stein

Secretary

A M Gillies

Auditors
J H Greenwood and Company
Chartered Accountants
Registered Auditor
Ava Lodge
Berwick Upon Tweed TD15 1NP

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 2003

The directors submit their annual report and audited financial statements for the year ended 27 August 2003.

Results for the year

The results for the year are as shown in the attached financial statements. The directors recommend that no dividends 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. Since the balance sheet date the group has under taken further substantial development in property 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 falls due to retire. Mr A M Gillies is a director of and major shareholder in Isertal Limited. 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 2003	**27 August 2002**
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 J H Greenwood & Company 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

19th May 2004

A M GILLIES LIMITED

Auditors' Report to the Members

For the year ended 27 August 2003

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

J H GREENWOOD AND COMPANY
Chartered Accountants
Registered Auditor
Ava Lodge
Berwick Upon Tweed TD15 1NP

19th May 2004

A M GILLIES LIMITED

Profit and Loss Account

For the year ended 27 August 2003

	Notes	2003 £	2002 £
Turnover - continuing operations	2	555,730	1,495,5451
Cost of sales		(495,255)	(1,381,417)
Gross profit		60,475	114,034
Administrative expenses		(62,229)	(50,677)
Operating profit/(loss) - continuing operations	4	(1,754)	63,357
Interest payable	5	-	(718)
Profit/(loss) on ordinary activities before taxation		(1,754)	62,639
Tax on profit on ordinary activities	6	-	-
Profit/(loss) on ordinary activities after taxation		(1,754)	62,639
Dividends	7	-	(4,495)
Profit/(loss) for the financial year		(1,754)	58,144

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 2003

	Notes	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	8		15,958		16,805
Current assets					
Stocks	9	0		0	
Debtors	10	465,807		379,371	
Cash at bank and in hand		0		0	
		465,807		379,371	
Creditors : Amounts falling due within one year	12	(499,323)		(411,980)	
Net current liabilities					(32,609)
Total assets less current liabilities			(16,421)		(15,804)
Creditors: Amounts falling due after more than one year	13		(65,449)		(65,449)
			(83,007)		(81,253)
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		(119,007)		(117,253)
Shareholders' funds	16		(83,007)		(81,253)

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 19th May 2004 and signed on its behalf by

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AM Gillies

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

A M GILLIES LIMITED

Notes to the Financial Statements

For the year ended 27 August 2003

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

	2003 Number	2002 Number
The average weekly number of employees during the year was made up as follows :-		
Office and management	2	2
Tradesmen and manual workers	9	6
	11	8

The aggregate remuneration and associated costs of the company's employees were:-	2003 £	2002 £
Wages and salaries	175,848	134,698
Social security costs	15,381	12,097
Pension costs	2,649	2,649
	193,878	149,444
Directors' remuneration		
- As managers (including benefits in kind)	35,091	31,528
- Pension contribution	2,649	2,649
Directors' emoluments	37,740	34,177

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

4. Operating profit

The operating profit is stated after charging:	2003 £	2002 £
Hire of plant and machinery	6,222	6,389
Auditors' remuneration		
- for services as auditors	3,000	3,000
- for accountancy and tax services		-
Depreciation	3,239	3,058

5. Interest payable

	2003 £	2002 £
Hire purchase interest	-	718

6. Tax on profit on ordinary activities

There is no liability to taxation due to the availability of group relief.

7. **Dividends**

	2003 £	2002 £
Non-equity dividends on preference shares		
Due for payment on 31 March accrued	-	2,248
Due for payment on 31 October accrued	-	2,247
	-	4,495

The directors of the company have decided to redeem the preference shares. As a result of this no dividend has been provided this year.

8. **Tangible assets**

Cost	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
At 28 August 2002	12,850	34,199	43,525	90,574
Additions	2,392	-	-	2,392
Disposals	-	(10,760)	-	(10,760)
At 27 August 2003	15,242	23,439	43,525	82,206
Depreciation				
At 28 August 2002	10,935	34,199	28,635	73,769
Provided for year	234		3,005	3,239
Disposals		(10,760)	-	(10,760)
At 27 August 2003	11,169	23,439	31,640	66,248
Net book value				
At 27 August 2003	4,073	-	11,885	15,958
At 27 August 2002	1,915	0	14,890	16,805

The net book value of motor vehicles held under hire purchase agreements was £Nil (2001 - £nil). Depreciation provided during the year on these assets was £nil (2001 £nil).

9. **Stocks**

	2003 £	2002 £
	0	0

10. Debtors	2003	2002
	£	£
Trade debtors	19,855	813
Amounts due from group companies	440,898	374,544
Other debtors	5,054	4,014
	465,807	379,371

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 £400,000 is valid until June 2004 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 plans 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	2003	2002
	£	£
Bank overdraft	410,410	293,390
Trade creditors	70,436	105,710
Social security and other taxes	12,342	8,783
Accruals	6,135	4,397
	499,323	411,980

13. **Creditors :** Amounts falling due after more than one year

	2003	2002
	£	£
Unpaid dividends	65,449	65,449
	65,449	65,449

14. **Called up share capital**

	2003	2002
	£	£
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.

Redemption of Preference Shares

Following the decision of the company to redeem the preference shares the holder, which is the parent company has agreed to surrender all dividend rights.

15. Profit and loss reserves

	Profit and Loss Account £
At 28 August 2002	(117,253)
Profit/(loss) for the financial year	(1,754)
Dividends	-
At 27 August 2003	(119,007)

16. Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Profit/(loss) for the financial year	(1,754)	62,639
Dividends	-	(4,495)
Shareholders' funds at 28 August 2002	(81,253)	(139,397)
Shareholders' funds at 27 August 2003	(83,007)	(81,253)

17. Analysis of shareholders funds

	2003 £	2002 £
Equity interests	(179,456)	(177,702)
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	65,449	65,449
	(83,007)	(81,253)

Unpaid dividends have been accrued over the preceding 15 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.