

MACKAY & MACLEOD ENGINEERING LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR TO 31 JULY 1991

R W M & K M MACKENZIE & CO

CHARTERED ACCOUNTANTS

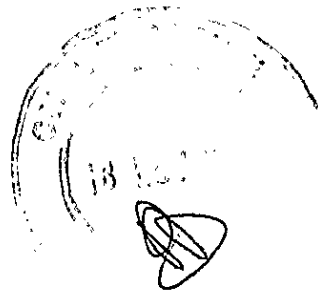
GEANIES HOUSE

FEARN

TAIN

ROSS-SHIRE

IV20 1TW



MACKAY AND MACLEOD ENGINEERING LIMITED

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FOR THE YEAR TO 31 JULY 1991

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MACKAY & MACLEOD ENGINEERING LIMITED

## DIRECTORS:

M B Kydd  
J S York  
A S Christie  
W G Mackay

## SECRETARIES:

John York (Appointed 28.11.90)  
Ledingham Chalmers (Resigned 28.11.90 )

## REGISTERED OFFICE:

17/18 Golden Square  
ABERDEEN

## COUNTRY OF REGISTRATION:

Scotland

## REGISTRATION NUMBER:

106415

## AUDITORS:

R W M & K M MacKenzie & Co  
Chartered Accountants  
Geanies House  
Fearn  
TAIN  
Ross-shire  
IV20 1TW

## BANKERS:

Bank of Scotland  
9/13 High Street  
ALNESS  
Ross-shire

MACKAY & MACLEOD ENGINEERING LIMITEDDIRECTORS' REPORT FOR THE YEAR TO 31 JULY 1991

The directors submit their report and accounts for the year ended 31 July 1991.

### 1 PRINCIPAL ACTIVITIES

The principal activities of the company are engineering and the provision and manufacture of engineering equipment.

The company is a subsidiary of Isleburn Ltd.

### 2 RESULTS

The trading profit before tax for the year is £18,820 plus an extra-ordinary income of £48,221 due to a refund of surplus pension scheme funds. The directors are disappointed with the trading results which are significantly lower than those of the previous period. This was due to lower than anticipated returns on 2 major contracts completed in the period. The directors recommend that no dividend be paid and the amount of £42,462 (after tax) be retained.

### 3 DIRECTORS AND THEIR INTERESTS

The directors for the period are shown on page 1. Their interests in the share capital are as follows at 31 July 1991 and 31 July 1990:-

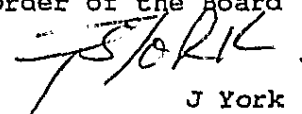
	<u>1991</u>	<u>1990</u>
	Ordinary Shares	Ordinary Shares
M B Kydd	1	1

In addition to the above all the directors have an interest in the shares in so much as they are also directors and shareholders in the parent company, Isleburn Ltd, which owns 9,999 of the 10,000 shares issued.

### 4 AUDITORS

A resolution will be prepared at the Annual General Meeting to re-appoint as auditors of the company, R W M & K M MacKenzie & Co, Chartered Accountants, Geanies House, Fearn. They have indicated their willingness to continue in office.

By Order of the Board

  
J York  
SECRETARY


MACKAY & MACLEOD ENGINEERING LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR TO 31 JULY 1991

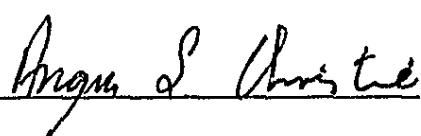
	<u>Note</u>	<u>1991</u>	<u>1990</u>
		£	£
Turnover	2	1,770,395	1,986,802
Cost of Sales		1,463,650	1,543,459
		-----	-----
Gross Profit		306,745	443,343
		-----	-----
Less Administrative Expenses		261,540	315,057
Depreciation		26,638	33,584
Other Operating Income		( 13,500)	( 2,224)
		-----	-----
		274,678	346,417
		-----	-----
Operating Profit	3	32,067	96,926
Interest Payable	5	( 13,247)	( 18,879)
		-----	-----
Profit on Ordinary Activities Before Taxation		18,820	78,047
Tax on Profit on Ordinary Activities	6	5,300	14,698
		-----	-----
Profit on Ordinary Activities After Tax		13,520	63,349
Extra-ordinary Income	7	48,221	-
Tax on Extra-ordinary Income	7	19,279	-
		-----	-----
Profit for the Financial Year		42,462	63,349
Transfer from Reserves	17	3,856	3,856
		-----	-----
Retained Profit for the Year		46,318	67,205
Retained Profit Brought Forward		73,504	6,299
		-----	-----
Retained Profit to Carry Forward		119,822	73,504
		=====	=====

The notes on pages 6 to 13 form part of these accounts

MACKAY & MACLEOD ENGINEERING LIMITEDBALANCE SHEET AS AT 31 JULY 1991

	<u>Note</u>	<u>1991</u>	<u>1990</u>
		£	£
FIXED ASSETS	8	99,927	107,965
		-----	-----
CURRENT ASSETS			
Stock & Work-in-Progress	9	88,906	106,679
Debtors	10	584,507	494,133
Cash in Hand		183	205
		-----	-----
		673,596	601,017
		-----	-----
CREDITORS: Amounts falling due within one year	11	543,922	511,626
		-----	-----
NET CURRENT ASSETS / (LIABILITIES)		129,674	89,391
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		229,601	197,356
CREDITORS: Amounts falling due outwith one year	12	( 82,888)	( 94,382)
Provision for Deferred Taxation	15	( 8,200)	( 7,900)
		-----	-----
		138,513	95,074
		=====	=====
CAPITAL AND RESERVES			
Share Capital	16	10,000	10,000
Profit and Loss Account		119,822	73,504
Deferred Income Reserve	17	8,691	11,570
		-----	-----
		138,513	95,074
		=====	=====

  
 M B Kydd Director

  
 A S Christie Director

The notes on pages 6 to 13 form part of these accounts

MACKAY & MACLEOD ENGINEERING LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR TO 31 JULY 1991

	<u>1991</u>	<u>1990</u>
<u>SOURCES OF FUNDS</u>	£	£
Profit on Ordinary Activities Before Taxation	18,820	78,047
Pension Scheme Refund	28,942	-
Items not Involving the Movement of Funds -		
Depreciation of Tangible Fixed Assets	26,638	33,584
(Profit)/Loss on Sale of Tangible Fixed Assets	990	-
	-----	-----
Total Generated from Operations	75,390	111,631
<u>OTHER SOURCES</u>		
Parent Company Loan	-	50,000
HIE Loan	-	36,000
Obligations under Hire Purchase	4,485	19,873
Obligations under Finance Leases	-	25,595
Proceeds of Share Issue	-	9,998
Disposal of Fixed Assets	3,035	-
Capital Grants Received	977	15,426
	-----	-----
Total Source of Funds	83,887	268,523
	-----	-----
<u>FUNDS APPLIED</u>		
Repay HIE Loan	2,123	1,800
Purchase of Tangible Fixed Assets	22,625	117,699
Obligations under Finance Leases	11,312	21,311
Obligations under Hire Purchase	9,384	9,170
Payment of Corporation Tax	11,073	648
	-----	-----
Total Funds Applied	56,517	150,628
	-----	-----
Increase / (Decrease) in Working Capital	27,370	117,895
	=====	=====
<u>COMPONENTS OF INCREASE / (DECREASE) IN WORKING CAPITAL</u>		
Stock & Work-in-Progress	( 17,773)	34,869
Debtors	90,374	330,981
Creditors	( 14,123)	(186,943)
	-----	-----
	58,478	178,907
Movement in Liquid Funds: Cash	( 22)	( 22)
Bank Overdraft	( 31,086)	( 60,990)
	-----	-----
	27,370	117,895
	=====	=====

The notes on pages 6 to 13 form part of these accounts

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**1 ACCOUNTING POLICIES**Accounting Convention

The accounts are prepared under the Historical Cost Convention.

Group Accounts

The company is entitled to the exemptions under Section 248 of the Companies Act 1985 as amended by Section 13 (3) of the Companies Act 1989 from the preparation of Group Accounts as a medium sized group.

Depreciation

Depreciation is charged on the Fixed Assets at the following rates:-

	<u>1991</u>	<u>1990</u>
Plant & Equipment -	25% Reducing Balance	25% Reducing Balance
Vehicles -	25% Reducing Balance	25% Reducing Balance

With the exception of plant to the value of £60,000 which is depreciated at 12.5% straightline basis.

Leased Assets

Assets leased under finance leases are treated as if they had been purchased at the start of the lease and the capital elements of the leasing commitments are shown as lease liabilities. Depreciation on these assets is charged to Profit and Loss Account and the leasing charges are split between capital and interest with the former being deducted from lease liabilities and the latter being charged to profit and loss account.

Stocks & Work-in-Progress

Stocks are valued at the lower of cost and net realisable value. Work-in-Progress is valued at direct cost only.

Deferred Taxation

Provision is made for deferred taxation using the liability method on all timing differences to the extent that it is probable that the liability will crystallise.

Comparative Figures

	<u>1991</u>	<u>1990</u>
Comparative Accounting Periods	12 Months	18 Months



MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**2 TURNOVER**

Turnover comprises the invoice value of sales made by the company exclusive of VAT.

**3 OPERATING PROFIT**

This is stated after charging:-

	<u>1991</u>	<u>1990</u>
	£	£
Staff Costs (Note 4)	792,805	842,989
Auditor's Remuneration	2,000	2,000
Hire of Plant & Equipment	5,542	6,363
Directors' Remuneration	33,000	40,450
Directors' Remuneration consists of -		
Salaries (excl social security cost)	33,000	40,450
Pension	-	-

**4 STAFF COSTS**

	<u>1991</u>	<u>1990</u>
	£	£
Wages & Salaries	713,599	750,114
Pension Contributions	7,400	20,719
Social Security Costs	71,806	72,156
	-----	-----
	792,805	842,989
	=====	=====

The average number of persons employed by the company during the period was 42 (1990 - 28), made up as follows:-

	<u>1991</u>	<u>1990</u>
Office & Management	5	5
Operations	37	23

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**5 INTEREST PAYABLE**

	<u>1991</u>	<u>1990</u>
	£	£
Interest on Short Term Bank Overdraft	6,096	12,436
Hire Purchase Interest	1,607	766
Leasing Interest	2,458	4,390
Loan Interest	3,086	1,287
	-----	-----
	13,247	18,879
	=====	=====

**6 TAXATION**Profit & Loss

The corporation tax charge for the year is:-

	<u>1991</u>	<u>1990</u>
	£	£
Corporation Tax @ 25%	5,000	7,000
Overprovision in Prior Year	-	( 202 )
Transferred to Deferred Taxation (Note 14)	300	7,900
	-----	-----
	5,300	14,698
	=====	=====

Balance Sheet

Provision for Corporation Tax Payable 1.11.91	5,000	7,000
Overpayment in Prior Year	(4,073)	-
	-----	-----
	927	7,000
	=====	=====

**7 EXTRA-ORDINARY INCOME**

This is a refund of surplus funds arising from the winding up of the company pension scheme.

MACKAY AND MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**8 TANGIBLE ASSETS**

	Plant & Equipment	Motor Vehicles	Leased Equipment	Office Equipment	Total
	£	£	£	£	£
<u>Cost</u>					
As at 1.8.90	94,977	2,700	49,557	-	147,234
Additions	17,900	3,900	-	825	22,625
Disposals	( 850)	(2,500)	( 7,400)	-	( 10,750)
As at 31.7.91	112,027	4,100	42,157	825	159,109
<u>Depreciation</u>					
As at 1.8.90	17,774	1,792	19,703	-	39,269
Charged in Year	18,113	400	8,040	85	26,638
On Disposals	( 850)	(1,625)	( 4,250)	-	( 6,725)
As at 31.7.91	35,037	567	23,493	85	59,182
N B V 31.7.91	76,990	3,533	18,664	740	99,927
N B V 31.7.90	77,203	908	29,854	-	107,965

**9 STOCK & WORK-IN-PROGRESS**

	<u>1991</u>	<u>1990</u>
	£	£
Raw Materials	17,500	12,000
Work-in-Progress	71,406	94,679
	88,906	106,679

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**10 DEBTORS**

	<u>1991</u>	<u>1990</u>
	£	£
Trade Debtors after Provision for Bad Debt	545,943	478,920
Due from Group Companies	8,994	15,133
Prepayments & Accrued Income	29,570	80
	-----	-----
	584,507	494,133
	=====	=====

**11 CREDITORS DUE WITHIN ONE YEAR**

	<u>1991</u>	<u>1990</u>
	£	£
Trade Creditors	222,914	235,356
Due to Group Companies	21,640	3,262
Accruals - Other Creditors	18,320	18,326
Social Security & Taxes (other than corporation tax)	59,480	51,287
Bank Overdraft (Note 13)	205,699	174,613
HP Creditor	5,157	6,870
Lease Creditor	6,755	11,312
Corporation Tax Provision (Note 6 )	927	7,000
HIE Loan (Note 14)	3,030	3,600
	-----	-----
	543,922	511,626
	=====	=====

**12 CREDITORS DUE OUTWITH ONE YEAR**

	<u>1991</u>	<u>1990</u>
	£	£
Hire Purchase (2-5 years)	2,064	5,250
Lease Creditor (2-5 years)	1,777	8,532
HIE Loan (2-5 years) (Note 14)	13,970	14,400
HIE Loan (over 5 years) (Note 14)	15,077	16,200
Parent Company Loan	50,000	50,000
	-----	-----
	82,888	94,382
	=====	=====

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**13 BANK OVERDRAFT**

The bank overdraft is secured with a Bond and Floating Charge held over all company assets to which there is a Ranking Agreement detailed further in Note 14 - Security. There are also Cross Guarantees and Letters of Offset between Isleburn Ltd, Mackay & MacLeod Engineering Ltd and Highland Fertilisers Ltd.

**14 HIE LOAN**

Source - Highlands & Islands Enterprise

Amount - £36,000

Date Received - 8 January 1990

Term - 10 years

Interest Rate - 7.5%

Repayments - Reducing from £446.35 to £442.02 over the next 12 months

Last Repayment - 8 January 2000

Security - Floating Charge over all the assets of the company in favour of the HIE to the amount of £39,600. There is a Ranking Agreement with the Bank of Scotland with equal ranking to the extent of Bank £58,000 and the HIE £39,600 with the Bank to rank thereafter for any reversion prior to any further claim by the Board.

	<u>1991</u>	<u>1990</u>
	£	£
Capital Repayments Due Within One Year	3,030	3,600
" " Due Within 2-5 Years	13,970	14,400
" " Due Outwith 2-5 Years	15,077	16,200
	-----	-----
Loan Outstanding at 31 July 1991	32,077	34,200
	=====	=====

MACKAY AND MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**15 DEFERRED TAXATION (SEE ALSO NOTE 1)**

	<u>1991</u>	<u>1990</u>
	£	£
Deferred Tax Brought Forward	7,900	-
Transferred to Deferred Tax in Period	300	7,900
	-----	-----
Deferred Tax at 31.7.91	8,200	7,900
	=====	=====

**16 SHARE CAPITAL**

	<u>Authorised</u>		<u>Allocated, Issued and Fully Paid</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£	£	£	£
Ordinary Share of £1 each	10,000	10,000	10,000	10,000

**17 DEFERRED INCOME RESERVE**

During the period capital grants totalling £977 were received. The directors are of the opinion that these grants should be held in reserve and transferred to profit and loss over the estimated useful life of the assets to which they relate.

	<u>1991</u>	<u>1990</u>
	£	£
Capital Grant Reserve at 31.7.90	11,570	-
Capital Grants Received	977	15,426
Transferred to Profit & Loss	( 3,856)	( 3,856)
	-----	-----
	8,691	11,570
	=====	=====

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1991**18 CAPITAL EXPENDITURE**

At 31 July 1991 the company had signed 2 Lease Agreements which have not been reflected in these accounts. The value of the assets leased total £17,615. At 31 July 1990 no capital expenditure was authorised or contracted for.

**19 CONTINGENT LIABILITIES**

At 31 July 1991 and 31 July 1990 there is a Letter of Guarantee in favour of the Bank of Scotland for all sums due between Highland Fertilisers Ltd, Isleburn Ltd and Mackay & MacLeod Engineering Ltd.

There is a contingent liability attached to the receipt of the Special Grant receivable from the Highlands & Islands Enterprise as follows:-

In the event of the company being in default the grant will be repayable under the following scale:-

(a) Within 1 year of receipt of grant	100%
(b) Between 1 - 2 years of receipt of grant	66.66%
(c) Between 2 - 3 years of receipt of grant	33.33%
(d) After 3 years of receipt of grant	0%

The dates of receipt of the grant are -

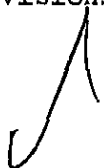
- (a) During the period 20 November 1989 and 17 July 1990 - £15,426.
- (b) December 1990 - £977.

MACKAY & MACLEOD ENGINEERING LIMITEDREPORT OF THE AUDITORSTO THE MEMBERS OF MACKAY & MACLEOD ENGINEERING LIMITED

We have audited the financial statements on pages 3 to 13 in accordance with approved auditing standards.

In our opinion the company is entitled to the exemptions under Section 248 of the Companies Act 1985 as amended by Section 13 (3) of the Companies Act 1989 from the preparation of group accounts as a medium sized group.

We are of the opinion that the financial statements have been correctly prepared under the Historical Cost Convention and that they give a true and fair view of the state of the company's affairs at 31 July 1991 and of the profit and source and application of funds for the period then ended and comply with the Companies Act 1985 as amended by the 1989 Act insofar as the provisions of that Act applies to the financial statements.



R W M & K M MACKENZIE & Co  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITOR

13/11/91