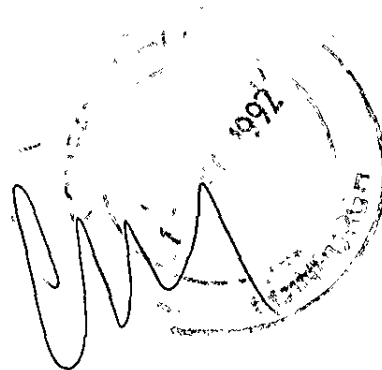


SC 10645

MACKAY & MACLEOD ENGINEERING LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR TO 31 JULY 1992

A handwritten signature in dark ink is written over a circular stamp. The stamp contains the year '1992' at the top and some illegible text around the bottom edge.

R W M & K M MACKENZIE & CO

CHARTERED ACCOUNTANTS

GEANIES HOUSE

FEARN

TAIN

ROSS-SHIRE

IV20 1TW

MACKAY AND MACLEOD ENGINEERING LIMITED

INDEX TO REPORT AND ACCOUNTS

FOR THE YEAR TO 31 JULY 1992

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MACKAY & MACLEOD ENGINEERING LIMITED

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

SECRETARIES: John York

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 1992

The directors submit their report and accounts for the year ended 31 July 1992.

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 directors are disappointed with the trading results which are significantly lower than those of the previous period. This was due to remedial costs on various contracts plus a change in company policy regarding retentions due. In the past, retentions due have been provided for in work-in-progress but in view of the expenditure on remedial costs in the current year the directors are of the opinion that it would be more prudent to record retentions when they are received. (Retentions excluded in the current year amount to £25,875.) The trading profit before tax for the year is £1,999. The directors recommend that no dividend be paid and the amount of £3,221 (after tax) be transferred to reserves.

3 FUTURE TRADING

In the latter part of the current financial year the value of orders was most disappointing. However, in the early weeks following the Balance Sheet date the company have been successful in obtaining several orders such that whilst the general economic outlook is not buoyant the directors are confident that the company will at least maintain its market share if no. increase it.

The company is continuing to develop its fish cage design and is optimistic that early problems have been overcome.

4 FIXED ASSETS

There have been no significant changes in the fixed assets of the company other than under the normal replacement policy of the company. However, the company is committed to the purchase of the buildings which it has previously rented. The purchase price agreed is £175,000 which has been paid on 18 August 1992. In the short term, the purchase has been financed by a bridging loan from the Bank but a 75% loan has been negotiated with Highland Opportunities Ltd.

MACKAY & MACLEOD ENGINEERING LIMITEDDIRECTORS' REPORT FOR THE YEAR TO 31 JULY 19925 DIRECTORS AND THEIR INTERESTS

The directors for the period are shown on page 1. Their interests in the share capital at 31 July 1992 and 31 July 1991 are as follows:-

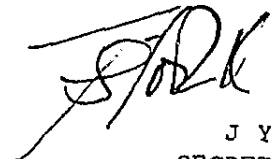
	<u>1992</u>	<u>1991</u>
	Ordinary Shares	Ordinary Shares
M B Kydd	1	1

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.

6 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 1992

	<u>Note</u>	<u>1992</u>	<u>1991</u>
		£	£
Turnover	2	1,558,000	1,770,395
Cost of Sales		1,241,549	1,469,192
Gross Profit		----- 316,451	----- 301,203
Less Administrative Expenses		275,711	255,998
Depreciation		25,870	26,638
Other Operating Income		( 2,841)	( 13,500)
		----- 298,740	----- 269,136
Operating Profit	3	17,711	32,067
Interest Payable	5	( 15,712)	( 13,247)
Profit on Ordinary Activities before Tax		----- 1,999	----- 18,820
Tax on Profit on Ordinary Activities	6	1,146	5,300
(Loss)/Profit on Ordinary Activities after Tax		----- ( 2,147)	----- 13,520
Extra-ordinary Income	7	-	48,221
Tax on Extra-ordinary Income	7	-	19,279
(Loss)/Profit for the Financial Year		----- ( 2,147)	----- 42,462
Transfer from Reserves	17	5,368	3,856
Retained Profit for the Year		----- 3,221	----- 46,318
Retained Profit Brought Forward		119,822	73,504
Retained Profit to Carry Forward		----- 123,043	----- 119,822
		=====	=====

The notes on pages 7 to 15 form part of these accounts

MACKAY & MACLEOD ENGINEERING LIMITEDBALANCE SHEET AS AT 31 JULY 1992

	<u>Note</u>	<u>1992</u>	<u>1991</u>
		£	£
FIXED ASSETS	8	95,232	99,927
		-----	-----
CURRENT ASSETS			
Stock & Work-in-Progress	9	57,956	88,906
Debtors	10	403,946	584,507
Cash in Hand		98	183
		-----	-----
		462,000	673,596
		-----	-----
CREDITORS: Amounts falling due within one year	11	328,490	543,922
		-----	-----
NET CURRENT ASSETS / (LIABILITIES)		133,510	129,674
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		228,742	229,601
CREDITORS: Amounts falling due outwith one year	12	78,983	82,888
Provision for Deferred Taxation	15	9,300	8,200
		-----	-----
		140,459	138,513
		=====	=====
CAPITAL AND RESERVES			
Share Capital	16	10,000	10,000
Profit and Loss Account		123,043	119,822
Deferred Income Reserve	17	7,416	8,691
		-----	-----
		140,459	138,513
		=====	=====

Approved by the Board of Directors on 10/12/92

M. B. Kydd M B Kydd Director

The notes on pages 7 to 15 form part of these accounts

MACKAY & MACLEOD ENGINEERING LIMITEDCASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 1992

	<u>Note</u>	<u>1992</u>	<u>1991</u>
		£	£
Net Cash Inflow/(Outflow) from Operating Activities	18	102,611	28,036
<u>Returns on Investments &amp; Servicing of Finance</u>			
Interest Received		-	-
Interest (Paid)	5	( 15,712)	(13,247)
Dividends (Paid)		-	-
Net Cash Inflow/(Outflow) from Returns on Investments & Servicing of Finance		( 15,712)	(13,247)
<u>Taxation</u>			
Corporation Tax (Paid)		( 4,556)	(11,073)
ACT (Paid)		-	-
CT Refunded		1,583	-
Net Cash Inflow/(Outflow) of Taxation		( 2,973)	(11,073)
<u>Investing Activities</u>			
(Purchase) of Fixed Assets		( 23,875)	(22,625)
Proceeds from Sale of Fixed Assets		2,424	3,035
Net Cash Inflow/(Outflow) from Investing Activities		( 21,451)	(19,590)
Net Cash Inflow/(Outflow) before Financing		62,475	(15,874)
<u>Financing</u>			
Issue of Ordinary Share Capital		-	-
Capital Grants Received		4,093	977
Receipt of Hire Purchase Loans		-	4,485
Receipt of Leasing Loans		17,615	-
(Repayment) of Hire Purchase Loans		( 5,157)	( 9,384)
(Repayment) of Leasing Loans		( 16,063)	(11,312)
Net Cash Inflow/(Outflow) from Financing		488	(15,234)
Increase/(Decrease) in Cash and Cash Equivalents	19	62,963	(31,108)
		=====	=====

The notes on pages 7 to 15 form part of these accounts



MACKAY & MACLEOD ENGINEERING LIMITED

NOTES TO THE ACCOUNTS AT 31 JULY 1992

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>1992</u>	<u>1991</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 1/2 % 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.

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992**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>1992</u>	<u>1991</u>
	£	£
Staff Costs (Note 4)	823,379	792,805
Auditor's Remuneration	2,500	2,000
Hire of Plant & Equipment	1,757	5,542
Directors' Remuneration	38,880	33,000

Directors' Remuneration consists of -

Salaries (excl social security cost)	38,880	33,000
Pension	-	-

**4 STAFF COSTS**

	<u>1992</u>	<u>1991</u>
	£	£
Wages & Salaries	750,669	713,599
Pension Contributions	497	7,400
Social Security Costs	72,213	71,806
	-----	-----
	823,379	792,805
	=====	=====

The average number of persons employed by the company during the period was 38 (1991 - 42), made up as follows:-

	<u>1992</u>	<u>1991</u>
Office & Management	5	5
Operations	33	37

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992

## 5 INTEREST PAYABLE

	<u>1992</u>	<u>1991</u>
	£	£
Interest on Short Term Bank Overdraft	8,389	6,096
Hire Purchase Interest	1,208	1,607
Leasing Interest	3,137	2,458
Loan Interest	2,303	3,086
Interest on Late Corporation Tax Payment	675	-
	-----	-----
	15,712	13,247
	=====	=====

## 6 TAXATION

Profit & Loss

The corporation tax charge for the year is:-

	<u>1992</u>	<u>1991</u>
	£	£
Corporation Tax @ 25%	1,000	5,000
Underprovision in Prior Year	2,046	-
Transferred to Deferred Taxation (Note 15)	1,100	300
	-----	-----
	4,146	5,300
	=====	=====

Balance Sheet

Provision for Corporation Tax Payable 1.11.92	1,000	5,000
Overpayment in Prior Year	-	(4,073)
	-----	-----
	1,000	927
	=====	=====

## 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 1992**8 TANGIBLE ASSETS**

	Plant & Equipment	Motor Vehicles	Leased Assets	Furniture & Fittings	Total
	£	£	£	£	£
<u>Cost</u>					
At 31.7.91	112,027	4,100	42,157	825	159,109
Additions	5,102	-	17,615	1,158	23,875
Disposals	-	-	6,225	850	7,075
At 31.7.92	117,129	4,100	53,547	1,133	175,909
<u>Depreciation</u>					
At 31.7.91	35,037	567	23,493	85	59,182
Charged in Year	16,518	876	8,272	204	25,870
On Disposals	-	-	4,375	-	4,375
At 31.7.92	51,555	1,443	27,390	289	80,677
N B V 31.7.92	65,574	2,657	26,157	844	95,232
N B V 31.7.91	76,990	3,533	18,664	740	99,927

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

	<u>1992</u>	<u>1991</u>
	£	£
Raw Materials	35,000	17,500
Work-in-Progress	22,956	71,406
	57,956	88,906

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992

## 10 DEBTORS

	<u>1992</u>	<u>1991</u>
	£	£
Trade Debtors after Provision for Bad Debt	319,161	545,943
Due from Group Companies	82,926	8,994
Prepayments & Accrued Income	1,859	29,570
	-----	-----
	403,946	584,507
	=====	=====

## 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1992</u>	<u>1991</u>
	£	£
Trade Creditors	98,310	222,914
Due to Group Companies	8,995	21,640
Accruals - Other Creditors	14,565	18,320
Social Security & Taxes (other than Corporation Tax)	50,755	59,480
Bank Overdraft (Note 13)	142,651	205,699
HP Creditor	2,064	5,157
Lease Creditor	6,945	6,755
Corporation Tax Provision (Note 6 )	1,000	927
HIE Loan (Note 14)	3,205	3,030
	-----	-----
	328,490	543,922
	=====	=====

## 12 CREDITORS: AMOUNTS FALLING DUE OUTWITH ONE YEAR

	<u>1992</u>	<u>1991</u>
	£	£
Hire Purchase (2-5 years)	-	2,064
Lease Creditor (2-5 years)	3,139	1,777
HIE Loan (2-5 years) (Note 14)	14,776	13,970
HIE Loan (over 5 years) (Note 14)	11,068	15,077
Parent Company Loan	50,000	50,000
	-----	-----
	78,983	82,888
	=====	=====

MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992**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 between Isleburn Ltd, Mackay & MacLeod Engineering Ltd, Highland Fertilisers Ltd and Cranemec Engineering 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 £442.02 to £437.04 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>1992</u>	<u>1991</u>
	£	£
Capital Repayments Due Within One Year	3,205	3,030
" " " Due Within 2-5 Years	14,776	13,970
" " " Due Outwith 2-5 Years	11,066	15,077
	-----	-----
Loan Outstanding at 31 July 1992	29,047	32,077
	=====	=====

MACKAY AND MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992

## 15 DEFERRED TAXATION (SEE ALSO NOTE 1)

	<u>1992</u>	<u>1991</u>
	£	£
Deferred Tax Brought Forward	8,200	7,900
Transferred to Deferred Tax in Period	1,100	300
	-----	-----
Deferred Tax at 31.7.92	9,300	8,200
	=====	=====

## 16 SHARE CAPITAL

	<u>Authorised</u>		<u>Allocated, Issued and Fully Paid</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£	£	£	£
Ordinary Share of £1 each	10,000	10,000	10,000	10,000

## 17 DEFERRED INCOME RESERVE

During the period capital grants totalling £4,093 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>1992</u>	<u>1991</u>
	£	£
Capital Grant Reserve at 31.7.91	8,691	11,570
Capital Grants Received	4,093	977
Transferred to Profit & Loss	(5,368)	(3,856)
	-----	-----
	7,416	8,691
	=====	=====

MACKAY AND MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992**18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1992</u>	<u>1991</u>
	£	£
Operating Profit	17,711	32,067
Extraordinary Income	-	28,942
Depreciation Charges	25,870	26,638
(Profit)/Loss on Sale of Fixed Assets	276	990
(Increase)/Decrease in Stocks	30,950	17,773
(Increase)/Decrease in Debtors	180,561	(90,374)
Increase/(Decrease) in Creditors	(152,757)	12,000
	-----	-----
Net Cash Inflow from Operating Activities	102,611	28,036
	=====	=====

**19 ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS DURING YEAR**

	<u>1992</u>	<u>1991</u>
	£	£
Balance at 31.7.91 (Note 20)	(205,516)	(174,408)
Net Cash Inflow/(Outflow)	62,963	( 31,108)
	-----	-----
Balance at 31.7.92 (Note 20)	(142,553)	(205,516)
	=====	=====

**20 ANALYSIS OF THE BALANCES OF CASH & CASH EQUIVALENTS AS SHOWN ON THE BALANCE SHEET**

	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	<u>Balance</u>	<u>Balance</u>	<u>Change</u>	<u>Change</u>
	£	£	£	£
Cash at Bank & in Hand	98	183	( 85)	( 22)
Short Term Investments	-	-	-	-
Bank Overdrafts	(142,651)	(205,699)	63,048	(31,086)
	-----	-----	-----	-----
	(142,553)	(205,516)	62,963	(31,108)
	=====	=====	=====	=====



MACKAY & MACLEOD ENGINEERING LIMITEDNOTES TO THE ACCOUNTS AT 31 JULY 1992**21 CAPITAL EXPENDITURE**

At 31 July 1992 the company is committed to purchasing the buildings (previously rented) for £175,000. Payment has been made on 18 August 1992. The purchase price has been funded by a bridging loan from the Bank but a 75% loan has been negotiated with Highland Opportunities Ltd.

**22 CONTINGENT LIABILITIES**

At 31 July 1992 and 31 July 1991 there is a Whole Corporate Guarantee in favour of the Bank of Scotland for all sums due between Highland Fertilisers Ltd, Isleburn Ltd, Cranemec Engineering 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.
- (c) September 1991 - £4,093.

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

We have audited the financial statements on pages 4 to 15 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 1992 and of the profit and cash flow statement 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.

 19/11/92

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