Isleburn Limited (formerly Isleburn Mackay and Macleod Limited)

Report and Financial Statements

For the period ended 31 March 2007

Company information

Directors	M B Kydd J S York (resigned 30/11/06) R J MacGregor (appointed 30/11/06) A B Mair (appointed 30/11/06)
Company number	SC106415
Registered office	19 Academy Street Inverness IV1 1JN
Auditors	Ernst & Young LLP Registered auditor Barony House Stoneyfield Business Park Stoneyfield Inverness IV2 7PA
Bankers	Bank of Scotland Etive House Beechwood Park Inverness IV2 3BW
Solicitors	Ledingham Chalmers Johnstone House 52 54 Rose Street Aberdeen AB10 0HA

Directors' Report
For the period ended 31 March 2007

The directors present their report and the financial statements for the period ended 31 March 2007

Principal activities

The principal activity of the company during the year was the provision of general engineering services These comprised workshop fabrication, vessel and rig repair and mobilisation, site installation and related site services The company provided stevedoring services at Invergordon

Business review

Following the acquisition of 75% of the Isleburn group in November 2006 by Global Resources Group Ltd, the board of directors made the decision to invest heavily in the upgrading of the company's Evanton facilities and in the strengthening of the senior management team These costs together with those of developing and introducing new systems and processes into the organisation have largely been expended in the period The reader should also note that the Report and Accounts cover an 8 month trading period

Since the financial year ended March 2007, Isleburn have successfully completed several prestigious projects and are poised for further growth both in the UK and overseas where there is a market for their fabrication expertise in the Subsea, M O D , Utilities, and Renewable Energy sectors

Results

The loss for the period, after taxation, amounted to £376,194 (2006 profit £28,109)

Directors

The directors who served during the period were

M B Kydd
J S York (resigned 30/11/06)
R J MacGregor (appointed 30/11/06)
A B Mair (appointed 30/11/06)

R J MacGregor has an interest in the shares of the company in so far as he is a director and shareholder of the ultimate parent company, Global Resources Group Limited

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 31 JANUARY 2008 and signed on its behalf

Director

Statement of directors' responsibilities
for the period ended 31 March 2007

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

Independent Auditors' report to the members of Isleburn Limited (formerly Isleburn Mackay and Macleod Limited)

We have audited the company's financial statements for the period ended 31 March 2007 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion, the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent Auditors' report to the members of Isleburn Limited (formerly Isleburn Mackay and Macleod Limited)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Inverness

Date 4/2/08

Profit and loss account
for the period ended 31 March 2007

	Note	*8 months ended 31 March 2007* £	*Year ended 31 July 2006* £
Turnover	1,2	12,831,495	25,961,897
Cost of sales		(11,303,829)	(23,189,055)
Gross profit		1,527,666	2,772,842
Administrative expenses		(1,761,762)	(2,347,829)
Operating (loss)/profit	3	(234,096)	425,013
Interest receivable		1,055	
Interest payable	5	(149,687)	(230,981)
(Loss)/profit on ordinary activities before taxation		(382,728)	194,032
Tax on (loss)/profit on ordinary activities	6	6,534	(165,923)
(Loss)/profit on ordinary activities after taxation	15	(376,194)	28,109

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the Profit and loss account

The notes on pages 8 to 19 form part of these financial statements

Balance sheet
as at 31 March 2007

	Note	£	31 March 2007 £	£	31 July 2006 £
Fixed assets					
Tangible fixed assets	7		1,164,421		1,249,978
Current assets					
Stocks	8	877,746		486,531	
Debtors	9	9,680,386		10,083,694	
Assets held for resale	10	2,063,547		2,063,547	
Cash in hand		115,560		715	
		12,737,239		12,634,487	
Creditors. *amounts falling due within one year*	11	(12,532,415)		(11,853,841)	
Net current assets			204,824		780,646
Total assets less current liabilities			1,369,245		2,030,624
Creditors. *amounts falling due after more than one year*	12		(133,043)		(411,694)
Provisions for liabilities					
Deferred tax	13		(342,044)		(348,578)
Net assets			894,158		1,270,352
Capital and Reserves					
Called up share capital	14		650,000		650,000
Other reserves	15		16,630		16,630
Profit and loss account	15		227,528		603,722
Shareholders' funds	16		894,158		1,270,352

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
31 JANUARY 2008

Director

The notes on pages 8 to 19 form part of these financial statements

Cash flow statement
for the period ended 31 March 2007

	Note	*8 months ended 31 March 2007* £	*Year ended 31 July 2006* £
Net cash flow from operating activities	17	1,263,489	191,770
Returns on investments and servicing of finance	18	(148,632)	(223,417)
Capital expenditure and financial investment	18	(37,558)	(86,803)
Cash inflow/(outflow) before financing		1,077,299	(118,450)
Financing	18	(351,595)	(632,849)
Increase/(Decrease) in cash in the period		725,704	(751,299)

Reconciliation of net cash flow to movement in net funds/debt
for the period ended 31 March 2007

	8 months ended 31 March 2007 £	*Year ended 31 July 2006* £
Increase/(Decrease) in cash in the period	725,704	(751,299)
Cash outflow from decrease in lease financing	351,595	577,697
Cash outflow from decrease in bank loans		55,152
Change in net debt resulting from cash flows	1,077,299	(118,450)
New finance lease	(32,392)	(329,479)
Movement in net debt in the period	1,044,907	(447,929)
Net debt at 1 August 2006	(3,457,340)	(3,009,411)
Net debt at 31 March 2007	(2,412,433)	(3,457,340)

The notes on pages 8 to 19 form part of these financial statements

Notes to the financial statements
For the period ended 31 March 2007

1 Accounting policies

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1 2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1 3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	4% straight line
L/Term Leasehold Property	25% straight line
Cranes and rolling plant	12 5% straight line
Other engineering plant	25% reducing balance
Fixtures & fittings	20% reducing balance
Vehicles	25 33% reducing balance
Computer equipment	20 33% straight line

1 4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

1 5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1 6 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Notes to the financial statements
For the period ended 31 March 2007

1 Accounting policies (continued)

1 7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1 8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.9 Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract Revenues derived from variations on contracts are recognised only when they have been accepted by the customer Full provision is made for losses on all contracts in the year in which they are first foreseen

1 10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period

Notes to the financial statements
For the period ended 31 March 2007

2 Turnover

Turnover, which relates to continuing activities, is stated net of value added tax and represents amounts invoiced to third parties except in respect of long term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced Turnover in respect of long term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract

A geographical analysis of turnover is as follows

	8 months ended 31 March 2007 £	*Year ended 31 July 2006* £
United Kingdom	11,807,442	22,871,392
Rest of European Union	642,389	2,271,190
Rest of world	381,664	819,315
	12,831,495	25,961,897

3 Operating (loss)/profit

The operating (loss)/profit is stated after charging

	8 months ended 31 March 2007 £	*Year ended 31 July 2006* £
Depreciation of tangible fixed assets		
owned by the company	67,222	227,890
held under finance leases	84,557	53,730
Auditors' remuneration	11,000	10,000
Operating lease rentals		
plant and machinery	2,745	6,147
Government grants released	(2,782)	(17,286)
Loss/(profit) on disposal of fixed assets	3,728	(2,113)

During the period, no director received any emoluments (2006 £NIL)

Notes to the financial statements
For the period ended 31 March 2007

4 Staff costs

Staff costs were as follows

	8 months ended 31 March 2007	*Year ended 31 July 2006*
	£	*£*
Wages and salaries	3,898,608	6,312,825
Social security costs	414,226	673,745
Other pension costs	95,274	57,602
	4,408,108	7,044,172

The average monthly number of employees, including the directors, during the period was as follows

	8 months ended 31 March 2007	*Year ended 31 July 2006*
	No	*No*
Production staff	150	165
Administrative staff	32	30
	182	195

5 Interest payable

	8 months ended 31 March 2007	*Year ended 31 July 2006*
	£	*£*
On bank loans and overdrafts	116,764	160,872
On other loans		4,500
On finance leases and hire purchase contracts	32,923	65,609
	149,687	230,981

Notes to the financial statements
For the period ended 31 March 2007

6 Taxation

	8 months ended 31 March 2007 £	Year ended 31 July 2006 £
Deferred tax		
Origination and reversal of timing differences	16,705	165,923
Effect of increased tax rate on opening liability	(23,239)	
Tax on (loss)/profit on ordinary activities	(6,534)	165,923

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2006 lower than) the standard rate of corporation tax in the UK (19%) The differences are explained below

	8 months ended 31 March 2007 £	Year ended 31 July 2006 £
(Loss)/profit on ordinary activities before tax	(382,728)	194,032
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2006 19%)	(72,718)	36,866
Effects of		
Expenses not deductible for tax purposes	(3,527)	8,478
Capital allowances for period in excess of depreciation		(46,530)
Other differences	76,245	1,186
Current tax charge for the period *(see note above)*		

Factors that may affect future tax charges

There were no factors that may affect future tax charges

Notes to the financial statements
For the period ended 31 March 2007

7 Tangible fixed assets

	Land and buildings £	*Plant and machinery* £	*Total* £
Cost			
At 1 August 2006	701,135	1,932,500	2,633,635
Additions		86,643	86,643
Disposals		(126,332)	(126,332)
At 31 March 2007	701,135	1,892,811	2,593,946
Depreciation			
At 1 August 2006	147,928	1,235,729	1,383,657
Charge for the period	17,323	134,456	151,779
On disposals		(105,911)	(105,911)
At 31 March 2007	165,251	1,264,274	1,429,525
Net book value			
At 31 March 2007	535,884	628,537	1,164,421
At 31 July 2006	553,207	696,771	1,249,978

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	31 March 2007 £	*31 July 2006* £
Plant and machinery	262,040	302,784

8 Stocks

	31 March 2007 £	*31 July 2006* £
Raw materials	221,797	255,499
Work in progress	655,949	231,032
	877,746	486,531

Notes to the financial statements
For the period ended 31 March 2007

9. Debtors

	31 March 2007 £	*31 July 2006* £
Trade debtors	6,629,886	5,629,073
Amounts owed by group undertakings	53,435	33,353
Other debtors	711,120	1,642,660
Prepayments and accrued income	33,830	67,456
Amounts recoverable on long term contracts	2,252,115	2,711,152
	9,680,386	10,083,694

10 Current asset investments

	31 March 2007 £	*31 July 2006* £
Assets held for resale	2,063,547	2,063,547

Assets held for resale comprise plant and equipment with a carrying value of £2,063,547

11. Creditors
Amounts falling due within one year

	31 March 2007 £	*31 July 2006* £
Bank loans and overdrafts	2,047,800	2,705,355
Net obligations under finance leases and hire purchase contracts	347,150	341,006
Trade creditors	3,525,625	6,047,679
Amounts owed to group undertakings	1,116,417	893,861
Social security and other taxes	582,797	364,812
Other creditors	129,861	105,440
Accruals and deferred income	4,782,765	1,395,688
	12,532,415	11,853,841

The bank loan and overdraft are included in the Group borrowing which is secured as follows

(i) Bond and floating charge over the whole assets of the group companies,
(ii) Standard securities over group premises,
(iii) Life cover over the life of a director

Notes to the financial statements
For the period ended 31 March 2007

12. Creditors
Amounts falling due after more than one year

	31 March 2007 £	31 July 2006 £
Bank loans		70,214
Net obligations under finance leases and hire purchase contracts	133,043	341,480
	133,043	411,694

The bank loan was repaid during the year

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	31 March 2007 £	31 July 2006 £
Between one and five years	133,043	341,480

13. Deferred taxation

	31 March 2007 £	31 July 2006 £
At 1 August 2006	348,578	182,655
(Released during)/charge for the period	(6,534)	165,923
At 31 March 2007	342,044	348,578

The provision for deferred taxation is made up as follows

	31 March 2007 £	31 July 2006 £
Accelerated capital allowances	357,452	358,313
Tax losses carried forward	(13,384)	(7,389)
Other timing differences	(2,024)	(2,346)
	342,044	348,578

Notes to the financial statements
For the period ended 31 March 2007

14 Share capital

	31 March 2007 £	31 July 2006 £
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
650,000 Ordinary shares of £1 each	650,000	650,000

15 Reserves

	Other reserves £	Profit and loss account £
At 1 August 2006	16,630	603,722
Loss for the period		(376,194)
At 31 March 2007	16,630	227,528

16 Reconciliation of movement in shareholders' funds

	31 March 2007 £	31 July 2006 £
Opening shareholders' funds	1,270,352	1,242,243
(Loss)/profit for the period	(376,194)	28,109
Closing shareholders' funds	894,158	1,270,352

Notes to the financial statements
For the period ended 31 March 2007

17. Net cash flow from operations

	8 months ended 31 March 2007 £	Year ended 31 July 2006 £
Operating (loss)/profit	(234,096)	425,013
Depreciation of tangible fixed assets	151,779	281,620
Loss/(profit) on disposal of tangible fixed assets	3,728	(2,113)
Government grants		(17,286)
Increase in stocks	(391,215)	(92,831)
Decrease/(increase) in debtors	403,308	(5,797,165)
Increase in creditors	1,329,985	5,394,532
Net cash inflow from operations	1,263,489	191,770

18 Analysis of cash flows for headings netted in cash flow statement

	8 months ended 31 March 2007 £	Year ended 31 July 2006 £
Returns on investments and servicing of finance		
Interest received	1,055	
Interest paid	(116,764)	(157,808)
Hire purchase interest	(32,923)	(65,609)
Net cash outflow from returns on investments and servicing of finance	(148,632)	(223,417)

	8 months ended 31 March 2007 £	Year ended 31 July 2006 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(54,251)	(97,576)
Sale of tangible fixed assets	16,693	10,773
Net cash outflow from capital expenditure	(37,558)	(86,803)

Notes to the financial statements
For the period ended 31 March 2007

18. Analysis of cash flows for headings netted in cash flow statement (continued)

	8 months ended 31 March 2007 £	*Year ended 31 July 2006* £
Financing		
Repayment of loans	(116,910)	(55,152)
Repayment of finance leases	(234,685)	(577,697)
Net cash outflow from financing	(351,595)	(632,849)

19 Analysis of changes in net debt

	1 August 2006 £	*Cash flow* £	*Other non cash changes* £	*31 March 2007* £
Cash at bank and in hand	715	114,845		115,560
Bank overdraft	(2,658,659)	610,859		(2,047,800)
	(2,657,944)	725,704		(1,932,240)
Debt				
Debts due within one year	(387,702)	351,595	(311,043)	(347,150)
Debts falling due after more than one year	(411,694)		278,651	(133,043)
Net debt	(3,457,340)	1,077,299	(32,392)	(2,412,433)

20 Pension commitments

The company operates a defined contributions pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £45,274 (2006 £57,602)

Notes to the financial statements
For the period ended 31 March 2007

21 Operating lease commitments

At 31 March 2007 the company had annual commitments under non cancellable operating leases as follows

	Land and buildings			*Other*
	31 March 2007	*31 July 2006*	*31 March 2007*	*31 July 2006*
	£	*£*	*£*	*£*
Expiry date:				
Within 1 year	82,898	291,160	1,098	1,464
Between 2 and 5 years		59,875	4,345	4,345

22 Related party transactions

During the period, the company entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding, at 31 March 2007 are as follows

	8 months ended 31 March 2007 Sales	*8 months ended 31 March 2007 Debtor*	*8 months ended 31 March 2007 Purchases*	*8 months ended 31 March 2007 Creditor*
	£	*£*	*£*	*£*
Global Resources Group Limited	253,283	66,285	64,144	70,890
Safety Welding and Lifting (International) Limited	24,406	5,828	45,246	34,478
Maris Subsea Limited	82,461	96,891		
MacGregor Industrial Supplies Limited			50,879	47,128

Global Resources Group Limited is the company's ultimate parent undertaking Safety Welding and Lifting (International) Limited is a fellow 75% subsidiary of Global Isleburn Limited Maris Subsea Limited is a 100% subsidiary of Global Resources Group Limited

23 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Global Isleburn Limited, which is 75% owned by Mountwest 706 Limited Mountwest 706 Limited is a wholly owned subsidiary of Global Resources Group Limited The company is included in its group financial statements, copies of which are available from its registered office 19 Academy Street, Inverness IV1 1JN

R J MacGregor is the controlling party of Global Resources Group Limited