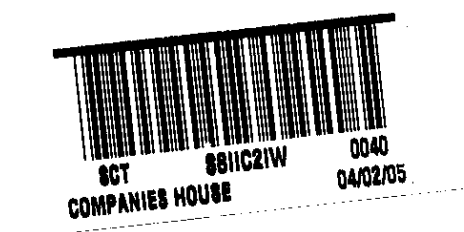


COMPANY REGISTRATION NUMBER 106415

ISLEBURN MACKAY AND MACLEOD LIMITED
ABBREVIATED ACCOUNTS
31 JULY 2004



R W M & K M MACKENZIE & CO
Chartered Accountants & Registered Auditors
Geanies House
TAIN
Ross-shire
IV20 1TW

ISLEBURN MACKAY AND MACLEOD LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

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ISLEBURN MACKAY AND MACLEOD LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

| | |
|-------------------------------|---|
| The board of directors | M B Kydd J S York |
| Company secretary | T R H Phillips |
| Registered office | Johnstone House 52 - 54 Rose Street ABERDEEN AB10 1HA |
| Auditors | R W M & K M MacKenzie & Co Chartered Accountants & Registered Auditors Geanies House TAIN Ross-shire IV20 1TW |
| Bankers | Bank of Scotland Etive House Beechwood Park Inverness IV2 3BW |
| Solicitors | Ledingham Chalmers Johnstone House 52-54 Rose Street ABERDEEN AB10 1HA |

ISLEBURN MACKAY AND MACLEOD LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity 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.

During the year, the company completed its first major contract for the renewables sector at its Nigg facility and looks forward to a continuing stream of such work in the future.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

M B Kydd
J S York

Mr Kydd holds a share in the company as nominee for Isleburn Limited.

The directors each have an interest in the shares of the company in so far as they are also directors and shareholders of the parent company, Isleburn Limited.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

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. The directors 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.

ISLEBURN MACKAY AND MACLEOD LIMITED

THE DIRECTORS' REPORT *(continued)*

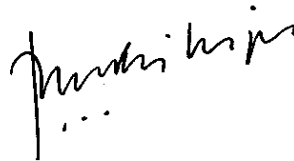
YEAR ENDED 31 JULY 2004

AUDITORS

The auditors, R W M & K M MacKenzie & Co, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 15 March 2000.

Registered office:
Johnstone House
52 - 54 Rose Street
ABERDEEN
AB10 1HA

Signed by order of the directors



T R H Phillips
Company Secretary

Approved by the directors on 21 January 2005

ISLEBURN MACKAY AND MACLEOD LIMITED
INDEPENDENT AUDITORS' REPORT TO THE COMPANY
PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 18, together with the financial statements of the company for the year ended 31 July 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

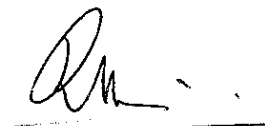
The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act, and the abbreviated accounts on pages 5 to 18 are properly prepared in accordance with those provisions.



Geanies House
TAIN
Ross-shire
IV20 1TW

21 January 2005

R W M & K M MACKENZIE & CO
Chartered Accountants
& Registered Auditors

ISLEBURN MACKAY AND MACLEOD LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2004

| | Note | 2004 £ | 2003 £ |
|---|----------|------------------------|----------------------|
| GROSS PROFIT | | 1,680,336 | 1,498,013 |
| Administrative expenses | | <u>1,652,315</u> | <u>1,431,995</u> |
| OPERATING PROFIT | 2 | 28,021 | 66,018 |
| Interest receivable | | 11,128 | 9,402 |
| Interest payable and similar charges | 4 | <u>(118,444)</u> | <u>(43,865)</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (79,295) | 31,555 |
| Tax on (loss)/profit on ordinary activities | 5 | <u>(1,062)</u> | <u>(32,600)</u> |
| (LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR | | <u>(78,233)</u> | <u>64,155</u> |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 18 form part of these abbreviated accounts.

ISLEBURN MACKAY AND MACLEOD LIMITED

ABBREVIATED BALANCE SHEET

31 JULY 2004

| | Note | 2004 £ | 2003 £ |
|--|------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 3,291,001 | 3,281,342 |
| CURRENT ASSETS | | | |
| Stocks | 7 | 236,868 | 191,021 |
| Debtors | 8 | 3,129,486 | 4,920,188 |
| Cash at bank and in hand | | 200 | 517,343 |
| | | 3,366,554 | 5,628,552 |
| CREDITORS: Amounts falling due within one year | 9 | 3,970,365 | 5,570,154 |
| NET CURRENT (LIABILITIES)/ASSETS | | (603,811) | 58,398 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,687,190 | 3,339,740 |
| CREDITORS: Amounts falling due after more than one year | 10 | 1,058,382 | 1,582,474 |
| | | 1,628,808 | 1,757,266 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | |
| Deferred taxation | 13 | 87,600 | 153,300 |
| Government grants | 14 | 388,247 | 372,772 |
| | | 1,152,961 | 1,231,194 |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 17 | 650,000 | 650,000 |
| Revaluation reserve | 18 | 24,159 | 30,190 |
| Profit and loss account | 19 | 478,802 | 551,004 |
| SHAREHOLDERS' FUNDS | 20 | 1,152,961 | 1,231,194 |

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on the 21 January 2005 and are signed on their behalf by:

M B Kydd
Director



The notes on pages 9 to 18 form part of these abbreviated accounts.

ISLEBURN MACKAY AND MACLEOD LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2004

| | 2004 £ | 2003 £ |
|--|--------------------|--------------------|
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (926,670) | 1,185,016 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | 11,128 | 9,402 |
| Interest paid | (48,540) | (25,235) |
| Interest element of hire purchase | (69,904) | (18,630) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | (107,316) | (34,463) |
| TAXATION | (45,570) | 78,001 |
| CAPITAL EXPENDITURE | | |
| Payments to acquire tangible fixed assets | (316,640) | (2,494,326) |
| Receipts from sale of fixed assets | — | 16,472 |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | (316,640) | (2,477,854) |
| CASH OUTFLOW BEFORE FINANCING | (1,396,196) | (1,249,300) |
| FINANCING | | |
| (Repayment) of bank loans | (48,419) | 119,818 |
| Capital element of hire purchase | (493,850) | 1,689,939 |
| Net inflow from other long-term creditors | — | 1 |
| New grants received | 73,078 | 372,772 |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING | (469,191) | 2,182,530 |
| (DECREASE)/INCREASE IN CASH | (1,865,387) | 933,230 |
| RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | | |
| | 2004 £ | 2003 £ |
| Operating profit | 28,021 | 66,018 |
| Depreciation | 306,981 | 216,227 |
| Profit on disposal of fixed assets | — | (3,238) |
| Amortisation of government grants | (57,603) | — |
| (Increase)/decrease in stocks | (45,847) | 190,254 |
| Decrease/(increase) in debtors | 1,771,634 | (1,663,064) |
| (Decrease)/increase in creditors | (2,929,856) | 2,378,819 |
| Net cash (outflow)/inflow from operating activities | (926,670) | 1,185,016 |

The notes on pages 9 to 18 form part of these abbreviated accounts.

ISLEBURN MACKAY AND MACLEOD LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 JULY 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2004 £ | 2003 £ |
|--|---------------------------|---------------------------|
| (Decrease)/increase in cash in the period | (1,865,387) | 933,230 |
| Net cash outflow from/(inflow) from bank loans | 48,419 | (119,818) |
| Cash outflow in respect of hire purchase | 493,850 | (1,689,939) |
| | <u>(1,323,118)</u> | <u>(876,527)</u> |
| Change in net debt | (1,323,118) | (876,527) |
| Net debt at 1 August 2003 | (1,657,823) | (781,296) |
| Net debt at 31 July 2004 | <u>(2,980,941)</u> | <u>(1,657,823)</u> |

ANALYSIS OF CHANGES IN NET DEBT

| | At 1 Aug 2003 £ | Cash flows £ | At 31 Jul 2004 £ |
|--------------------------|---------------------------|---------------------------|---------------------------|
| Net cash: | | | |
| Cash in hand and at bank | 517,343 | (517,143) | 200 |
| Overdrafts | — | (1,348,244) | (1,348,244) |
| | <u>517,343</u> | <u>(1,865,387)</u> | <u>(1,348,044)</u> |
| Debt: | | | |
| Debt due within 1 year | (43,953) | (5,532) | (49,485) |
| Debt due after 1 year | (226,901) | 53,951 | (172,950) |
| Hire purchase agreements | (1,904,312) | 493,850 | (1,410,462) |
| | <u>(2,175,166)</u> | <u>542,269</u> | <u>(1,632,897)</u> |
| Net debt | <u>(1,657,823)</u> | <u>(1,323,118)</u> | <u>(2,980,941)</u> |

The notes on pages 9 to 18 form part of these abbreviated accounts.

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax, plus any accrued income provided for.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|------------------------------------|-------------|----------------------------|
| Cranes and rolling plant | - 12.5% | per annum straight line |
| Other engineering plant | - 25% | per annum reducing balance |
| Vehicles | - 25% - 30% | per annum reducing balance |
| Computer and electronic equipment- | - 20% - 33% | per annum straight line |
| Furniture & fittings | - 20% | per annum reducing balance |
| Freehold Improvements | - 4% | per annum straight line |
| Leasehold property | - 25% | per annum straight line |

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress. Where a contract is substantially complete and there is a reasonable degree of certainty of the outcome, a provision may be made in "Other Debtors" for revenue receivable in respect of recognised costs which will reflect an element of profit for that contract.

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

1. ACCOUNTING POLICIES *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value.

The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 2004 | 2003 |
|--|----------|---------|
| | £ | £ |
| Directors' emoluments | — | — |
| Amortisation of government grants | (57,603) | — |
| Depreciation of owned fixed assets | 162,414 | 132,920 |
| Depreciation of assets held under hire purchase agreements | 144,567 | 83,307 |
| Profit on disposal of fixed assets | — | (3,238) |
| Auditors' remuneration | | |
| - as auditors | 6,500 | 6,500 |
| Operating lease costs: | | |
| Plant and equipment | 4,216 | 3,059 |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | 2004 | 2003 |
|--------------------------------|------------|------------|
| | No | No |
| Number of production staff | 144 | 120 |
| Number of administrative staff | 22 | 21 |
| | <u>166</u> | <u>141</u> |

The aggregate payroll costs of the above were:

| | 2004 | 2003 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 4,899,577 | 3,919,045 |
| Social security costs | 525,610 | 398,345 |
| | <u>5,425,187</u> | <u>4,317,390</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2004 | 2003 |
|------------------------------------|----------------|---------------|
| | £ | £ |
| Interest payable on bank borrowing | 45,835 | 22,464 |
| Finance charges | 69,904 | 18,630 |
| Other similar charges payable | 2,705 | 2,771 |
| | <u>118,444</u> | <u>43,865</u> |

5. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | 2004 | 2003 |
|--|----------------|------------------|
| | £ | £ |
| Current tax: | | |
| In respect of the year: | | |
| UK Corporation tax based on the results for the year at 19% (2003 - 19%) | (2,662) | (127,261) |
| Over/under provision in prior year | 67,300 | 1,761 |
| Total current tax | <u>64,638</u> | <u>(125,500)</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (65,700) | 92,900 |
| Tax on (loss)/profit on ordinary activities | <u>(1,062)</u> | <u>(32,600)</u> |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

5. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

| | 2004 £ | 2003 £ |
|--|-----------------|------------------|
| (Loss)/profit on ordinary activities before taxation | <u>(79,295)</u> | <u>31,555</u> |
| Profit/(loss) on ordinary activities by rate of tax | (15,066) | 5,995 |
| Accelerated capital allowances | (57,383) | (85,809) |
| Disallowed expenses | 4,652 | 3,602 |
| Over/under provision prior year | 67,300 | 1,761 |
| Current year losses used at basic rate of tax | 65,135 | (51,103) |
| Sundry tax adjusting items | — | 54 |
| Total current tax (note 5(a)) | <u>64,638</u> | <u>(125,500)</u> |

6. TANGIBLE FIXED ASSETS

| | Land and Buildings £ | Plant and Equipment £ | Total £ |
|--------------------------|-------------------------------|--------------------------------|------------------|
| COST OR VALUATION | | | |
| At 1 August 2003 | 575,333 | 3,534,449 | 4,109,782 |
| Additions | 4,662 | 311,978 | 316,640 |
| At 31 July 2004 | <u>579,995</u> | <u>3,846,427</u> | <u>4,426,422</u> |
| DEPRECIATION | | | |
| At 1 August 2003 | 79,155 | 749,285 | 828,440 |
| Charge for the year | 23,261 | 283,720 | 306,981 |
| At 31 July 2004 | <u>102,416</u> | <u>1,033,005</u> | <u>1,135,421</u> |
| NET BOOK VALUE | | | |
| At 31 July 2004 | <u>477,579</u> | <u>2,813,422</u> | <u>3,291,001</u> |
| At 31 July 2003 | <u>496,178</u> | <u>2,785,164</u> | <u>3,281,342</u> |

An independent valuation of the company's freehold property was carried out by Alan Torrance Associates, Chartered Surveyors, Invergordon on an open market basis as at 5 December 1997. On the basis of this valuation, the directors are satisfied that the market value of the freehold property is not materially different from the value carried in these accounts.

In addition a valuation was carried out on 3 December 1997 of the plant and equipment held by the company at that date by Messers Shirlaw Allan & Co, Valuers, of Renfrew on a "going concern" basis.

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

6. TANGIBLE FIXED ASSETS *(continued)*

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

| | 2004 £ | 2003 £ |
|-------------------------------|----------------|----------------|
| Net book value at end of year | <u>29,586</u> | <u>39,448</u> |
| Historical cost | <u>212,515</u> | <u>212,515</u> |
| Depreciation: | | |
| At 1 August 2003 | 203,257 | 190,238 |
| Charge for year | <u>3,831</u> | <u>13,019</u> |
| At 31 July 2004 | <u>207,088</u> | <u>203,257</u> |
| Net historical cost value: | | |
| At 31 July 2004 | <u>5,427</u> | <u>9,258</u> |
| At 1 August 2003 | <u>9,258</u> | <u>22,277</u> |

Hire purchase agreements

Included within the net book value of £3,291,001 is £2,047,955 (2003 - £2,187,289) relating to assets held under hire purchase agreements. The depreciation charged to the abbreviated accounts in the year in respect of such assets amounted to £144,567 (2003 - £83,307).

7. STOCKS

| | 2004 £ | 2003 £ |
|------------------|----------------|----------------|
| Stock | 128,421 | 80,907 |
| Work in progress | <u>108,447</u> | <u>110,114</u> |
| | <u>236,868</u> | <u>191,021</u> |

8. DEBTORS

| | 2004 £ | 2003 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 2,083,130 | 3,388,579 |
| Amounts owed by group undertakings | 30,387 | 248,369 |
| Corporation tax repayable | 1,474 | 20,542 |
| Other debtors | 110,881 | 384,230 |
| Prepayments and accrued income | <u>903,614</u> | <u>878,468</u> |
| | <u>3,129,486</u> | <u>4,920,188</u> |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

9. CREDITORS: Amounts falling due within one year

| | 2004 £ | 2003 £ |
|------------------------------------|------------------|------------------|
| Pension Fund Loan | — | 200,000 |
| Bank loans and overdrafts | 1,397,729 | 43,953 |
| Trade creditors | 1,207,677 | 3,840,122 |
| Amounts owed to group undertakings | 227,137 | 59,097 |
| Other taxation and social security | 260,798 | 212,732 |
| Hire purchase agreements | 525,030 | 548,739 |
| Other creditors | 351,994 | 665,511 |
| | <u>3,970,365</u> | <u>5,570,154</u> |

The following liabilities disclosed under creditors falling due within one year are secured by the company:

| | 2004 £ | 2003 £ |
|---------------------------|------------------|---------------|
| Bank loans and overdrafts | <u>1,397,729</u> | <u>43,953</u> |

The bank term 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.

10. CREDITORS: Amounts falling due after more than one year

| | 2004 £ | 2003 £ |
|---------------------------|------------------|------------------|
| Bank loans and overdrafts | 172,950 | 226,901 |
| Hire purchase agreements | 885,432 | 1,355,573 |
| | <u>1,058,382</u> | <u>1,582,474</u> |

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

| | 2004 £ | 2003 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>172,950</u> | <u>226,901</u> |

The bank term loan is secured as detailed above.

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

10. CREDITORS: Amounts falling due after more than one year *(continued)*

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

| | 2004 | 2003 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Bank loans and overdrafts | <u>39,236</u> | <u>51,091</u> |

The Bank Term Loans are repayable over 84 months and bear interest at Bank of Scotland Base rate plus 2% and 2.5%

11. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

| | 2004 | 2003 |
|---|----------------|----------------|
| | £ | £ |
| Amounts repayable: | | |
| In one year or less or on demand | 49,485 | 43,953 |
| In more than one year but not more than two years | 49,485 | 43,953 |
| In more than two years but not more than five years | 84,229 | 131,857 |
| In more than five years | 39,236 | 51,091 |
| | <u>222,435</u> | <u>270,854</u> |

12. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

| | 2004 | 2003 |
|--|------------------|------------------|
| | £ | £ |
| Amounts payable within 1 year | 589,979 | 617,683 |
| Amounts payable between 1 and 2 years | 509,978 | 567,756 |
| Amounts payable between 3 and 5 years | 496,406 | 965,856 |
| | <u>1,596,363</u> | <u>2,151,295</u> |
| Less interest and finance charges relating to future periods | <u>(185,901)</u> | <u>(246,983)</u> |
| | <u>1,410,462</u> | <u>1,904,312</u> |
| <i>Hire purchase agreements are analysed as follows:</i> | | |
| Current obligations | 525,030 | 548,739 |
| Non-current obligations | 885,432 | 1,355,573 |
| | <u>1,410,462</u> | <u>1,904,312</u> |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

| | 2004 £ | 2003 £ |
|--|---------------|----------------|
| Provision brought forward | 153,300 | 60,400 |
| Profit and loss account movement arising during the year | (65,700) | 92,900 |
| Provision carried forward | <u>87,600</u> | <u>153,300</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2004 £ | 2003 £ |
|---|---------------|----------------|
| Excess of taxation allowances over depreciation on fixed assets | 87,600 | 153,300 |
| | <u>87,600</u> | <u>153,300</u> |

14. GOVERNMENT GRANTS

| | 2004 £ | 2003 £ |
|-----------------------------------|----------------|----------------|
| Received and receivable: | | |
| At 1 August 2003 | 372,772 | — |
| Receivable during year | 73,078 | 372,772 |
| At 31 July 2004 | <u>445,850</u> | <u>372,772</u> |
| Amortisation: | | |
| Credit to profit and loss account | 57,603 | — |
| At 31 July 2004 | <u>57,603</u> | <u>—</u> |
| Net balance at 31 July 2004 | <u>388,247</u> | <u>372,772</u> |

15. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2004 the company had annual commitments under non-cancellable operating leases as set out below.

| | 2004 | | 2003 | |
|--------------------------------|-----------------------|------------------|-----------------------|------------------|
| | Land & Buildings £ | Other Items £ | Land & Buildings £ | Other Items £ |
| Operating leases which expire: | | | | |
| Within 1 year | 218,139 | — | 9,794 | 390 |
| Within 2 to 5 years | 105,876 | 4,952 | 323,836 | 4,096 |
| | <u>324,015</u> | <u>4,952</u> | <u>333,630</u> | <u>4,486</u> |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

16. CONTINGENCIES

The company has several Performance Bonds in favour of customers as follows:-

£121,188 with expiry date 31/12/03.
 £ 6,235 with expiry date 30/05/05
 £100,087 with expiry date 30/06/06
 £ 46,165 with expiry date 30/04/07
 £ 33,690 with expiry date 30/06/07
 \$ 58,444 with expiry date 30/11/07

The company also has a Retention Bond in favour of a customer of £33,690 with expiry date of 30/06/07.

17. SHARE CAPITAL

Authorised share capital:

| | 2004 £ | 2003 £ |
|--------------------------------------|------------------|------------------|
| 1,000,000 Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |

Allotted, called up and fully paid:

| | 2004 | | 2003 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>650,000</u> | <u>650,000</u> | <u>650,000</u> | <u>650,000</u> |

18. REVALUATION RESERVE

| | 2004 £ | 2003 £ |
|--|----------------|-----------------|
| Balance brought forward | 30,190 | 58,883 |
| Transfer to the Profit and Loss Account on realisation | <u>(6,031)</u> | <u>(28,693)</u> |
| Balance carried forward | <u>24,159</u> | <u>30,190</u> |

19. PROFIT AND LOSS ACCOUNT

| | 2004 £ | 2003 £ |
|---|-----------------|----------------|
| Balance brought forward | 551,004 | 458,156 |
| (Accumulated loss)/retained profit for the financial year | <u>(78,233)</u> | <u>64,155</u> |
| Transfer from revaluation reserve | 6,031 | 28,693 |
| Balance carried forward | <u>478,802</u> | <u>551,004</u> |

ISLEBURN MACKAY AND MACLEOD LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 JULY 2004

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2004 | 2003 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| (Loss)/Profit for the financial year | (78,233) | 64,155 |
| Opening shareholders' equity funds | <u>1,231,194</u> | <u>1,167,039</u> |
| Closing shareholders' equity funds | <u>1,152,961</u> | <u>1,231,194</u> |

21. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Isleburn Limited.