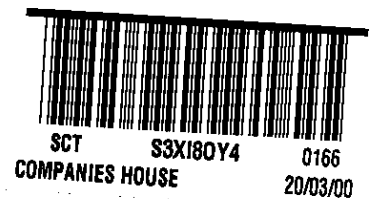


**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**ABBREVIATED FINANCIAL STATEMENTS**  
**31 JULY 1999**



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

# **ISLEBURN MACKAY AND MACLEOD LIMITED**

## **ABBREVIATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 JULY 1999**

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# ISLEBURN MACKAY AND MACLEOD LIMITED

## ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1999

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<b>The board of directors</b>	M B Kydd J S York
<b>Company secretary</b>	T R H Phillips
<b>Registered office</b>	17/18 Golden Square ABERDEEN AB10 1NY
<b>Auditors</b>	R W M & K M MacKenzie & Co Chartered Accountants & Registered Auditors Geanies House TAIN Ross-shire IV20 1TW
<b>Bankers</b>	Bank of Scotland P O Box 9 9 High Street INVERNESS IV1 1JB
<b>Solicitors</b>	Ledingham Chalmers 1 Golden Square ABERDEEN AB10 1HA

# **ISLEBURN MACKAY AND MACLEOD LIMITED**

## **AUDITORS' REPORT TO THE COMPANY**

### **PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985**

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We have examined the abbreviated accounts on pages 5 to 22, together with the financial statements of the company for the year ended 31 July 1999 prepared under Section 226 of the Companies Act 1985.

#### **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**

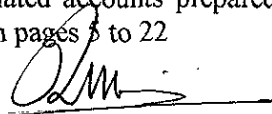
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did 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 22

Geanies House  
TAIN  
Ross-shire  
IV20 1TW

15 March 2000

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

# **ISLEBURN MACKAY AND MACLEOD LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 JULY 1999**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 1999.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company's principal activity continues to be general engineering, specialising in workshop fabrication and on-site installation and services.

On 31 July 1999 the company acquired the trading activities and net trading assets of its parent, Isleburn Limited, in consideration of which shares with a nominal value of £400,000 were issued. To reflect the substantial increase in activities resulting from the acquisition, the company changed its name on 31 July 1999 to Isleburn Mackay and Macleod Limited.

### **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.

### **THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**

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

M B Kydd

J S York

A S Christie

(Retired 30 Oct 98)

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 11 to 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# ISLEBURN MACKAY AND MACLEOD LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JULY 1999

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### DIRECTORS' RESPONSIBILITIES *(continued)*

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.

### AUDITORS

A resolution to re-appoint R W M & K M MacKenzie & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
17/18 Golden Square  
ABERDEEN  
AB10 1NY

Signed by order of the directors



T R H Phillips  
Company Secretary

Approved by the directors on 15 March 2000

# ISLEBURN MACKAY AND MACLEOD LIMITED

## ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 1999

	Note	1999 £	1998 £
<b>GROSS PROFIT</b>		<b>430,763</b>	<b>585,833</b>
Administrative expenses		<u>(303,914)</u>	<u>(427,091)</u>
<b>OPERATING PROFIT</b>	<b>2</b>	<b>126,849</b>	<b>158,742</b>
Interest receivable		105	-
Interest payable and similar charges	<b>5</b>	<u>(70,261)</u>	<u>(69,415)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>56,693</b>	<b>89,327</b>
Tax on profit on ordinary activities	<b>6</b>	<u>(29,700)</u>	<u>(25,602)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>26,993</u></b>	<b><u>63,725</u></b>

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

The notes on pages 11 to 22 form part of these financial statements.

# ISLEBURN MACKAY AND MACLEOD LIMITED

YEAR ENDED 31 JULY 1999

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## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999	1998
	£	£
Profit for the financial year attributable to the shareholders	26,993	63,725
Unrealised profit on revaluation of tangible fixed assets:		
Plant & Machinery	-	89,840
Total gains and losses recognised since the last annual report	<u>26,993</u>	<u>153,565</u>

The notes on pages 11 to 22 form part of these financial statements.



# ISLEBURN MACKAY AND MACLEOD LIMITED

## ABBREVIATED BALANCE SHEET

31 JULY 1999

	Note	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>1,195,343</u>	<u>729,129</u>
<b>CURRENT ASSETS</b>			
Stocks	8	303,109	176,456
Debtors	9	1,249,276	1,460,134
Cash at bank and in hand		<u>366</u>	<u>750</u>
		1,552,751	1,637,340
<b>CREDITORS: Amounts falling due within one year</b>	10	<u>(1,617,292)</u>	<u>(1,780,224)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(64,541)</u>	<u>(142,884)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,130,802	586,245
<b>CREDITORS: Amounts falling due after more than one year</b>	11	<u>(114,812)</u>	<u>(99,668)</u>
		1,015,990	486,577
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	12	(55,200)	(40,300)
Government grants	13	<u>(1,607)</u>	<u>(4,087)</u>
		<u>959,183</u>	<u>442,190</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	15	500,000	10,000
Revaluation reserve	16	85,343	89,841
Profit and loss account	17	<u>373,840</u>	<u>342,349</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>959,183</u>	<u>442,190</u>

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

These financial statements were approved by the directors on the 15 March 2000 and are signed on their behalf by:



M B Kydd  
Director

The notes on pages 11 to 22 form part of these financial statements.

# ISLEBURN MACKAY AND MACLEOD LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 31 JULY 1999

	1999	1998
	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>8,253</b>	<b>413,817</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	105	-
Interest paid	(60,102)	(61,856)
Interest element of finance lease rental payments	(10,159)	(7,559)
	—	—
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(70,156)</b>	<b>(69,415)</b>
<b>TAXATION</b>	<b>3,839</b>	<b>(8,637)</b>
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets	(64,861)	(155,365)
Receipts from sale of fixed assets	30,347	851
	—	—
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(34,514)</b>	<b>(154,514)</b>
	—	—
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>	<b>(92,578)</b>	<b>181,251</b>
<b>FINANCING</b>		
Repayment of bank loans	(2,250)	(9,000)
Repayment of long-term amounts owed to group undertakings	(50,000)	-
Capital element of finance lease rental payments	(94,815)	(261)
Net outflow from other long-term creditors	(14,610)	(33,521)
	—	—
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(161,675)</b>	<b>(42,782)</b>
	—	—
<b>(DECREASE)/INCREASE IN CASH</b>	<b>(254,253)</b>	<b>138,469</b>

The notes on pages 11 to 22 form part of these financial statements.

# ISLEBURN MACKAY AND MACLEOD LIMITED

## CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 JULY 1999

### RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating profit	126,849	158,742
Depreciation	112,476	91,314
Loss on disposal of fixed assets	817	1,865
Amortisation of government grants	(2,480)	(2,980)
(Increase)/Decrease in stocks	(126,653)	109,594
Decrease/(Increase) in debtors	206,998	(274,467)
(Decrease)/Increase in creditors	(309,754)	329,749
<b>Net cash inflow from operating activities</b>	<b><u>8,253</u></b>	<b><u>413,817</u></b>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999	1998
	£	£
(Decrease)/Increase in cash in the period	(254,253)	138,469
Net cash outflow from bank loans	2,250	9,000
Net cash outflow from long-term amounts owed to group undertakings	50,000	-
Net cash outflow in respect of finance leases	94,815	261
Net cash outflow from other long-term creditors	14,610	33,521
<b>Change in net debt resulting from cash flows</b>	<b>(92,578)</b>	<b>181,251</b>
Other non-cash adjustments	(238,592)	-
<b>Movement in net debt in the period</b>	<b>(331,170)</b>	<b>181,251</b>
<b>Net debt at 1 August 1998</b>	<b>(619,328)</b>	<b>(800,580)</b>
<b>Net debt at 31 July 1999</b>	<b><u>(950,498)</u></b>	<b><u>(619,328)</u></b>

The notes on pages 11 to 22 form part of these financial statements.

# ISLEBURN MACKAY AND MACLEOD LIMITED

## CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 JULY 1999

### ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 1998 £	Cash flows £	Other changes £	At 31 Jul 1999 £
Net cash:				
Cash in hand and at bank	750	(384)		366
Overdrafts	(480,103)	(253,869)		(733,972)
	<u>(479,353)</u>	<u>(254,253)</u>		<u>(733,606)</u>
Debt:				
Debt due within 1 year	(2,250)	2,250	-	-
Debt due after 1 year	(64,610)	64,610	-	-
Finance leases	(73,115)	94,815	(238,592)	(216,892)
	<u>(139,975)</u>	<u>161,675</u>		<u>(216,892)</u>
<b>Net debt</b>	<u><u>(619,328)</u></u>	<u><u>(92,578)</u></u>	<u><u>(238,592)</u></u>	<u><u>(950,498)</u></u>

The notes on pages 11 to 22 form part of these financial statements.

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

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**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, and in accordance with applicable accounting standards.

**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.

**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:

Engineering plant	- 25%	per annum reducing balance
Commercial vehicles	- 25%	per annum reducing balance
Cars	- 30%	per annum reducing balance
Computer equipment	- 33%	per annum straight line
Other electronic equipment	- 20%	per annum straight line
Furniture & fittings	- 20%	per annum reducing balance

Contrary to Statement of Standard Accounting Practice 12 Schedule 4, freehold property is not depreciated on the grounds that it is the company's practice to maintain the property in a *continued state of sound repair and any depreciation would not be material*. Provision will be made should any permanent diminution in the value of these properties occur, such provision being based on the prices prevailing at the time of acquisition or subsequent valuation.

**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 FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

---

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

**Deferred taxation**

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

**Deferred government grants**

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):

	1999	1998
	£	£
Amortisation of government grants	(2,480)	(2,980)
Depreciation	112,921	91,314
Loss on disposal of fixed assets	817	1,865
Auditors' remuneration		
- as auditors	4,000	3,500
- other	2,000	1,500
Operating lease costs:		
Plant and equipment	<u>1,536</u>	<u>7,866</u>

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

---

**3. PARTICULARS OF EMPLOYEES**

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

	1999	1998
	No.	No.
Number of production staff	71	76
Number of administrative staff	12	12
Number of management staff	-	1
	<u>83</u>	<u>89</u>

The aggregate payroll costs of the above were:

	1999	1998
	£	£
Wages and salaries	2,084,795	2,171,173
Social security costs	203,743	215,555
	<u>2,288,538</u>	<u>2,386,728</u>

**4. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	1999	1998
	£	£
Emoluments receivable	-	37,512
Value of company pension contributions to money purchase schemes	-	8,757
Compensation for loss of directorship	-	17,330
	<u>-</u>	<u>63,599</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	1999	1998
	No.	No.
Money purchase schemes	<u>-</u>	<u>1</u>

In 1998 the company paid the director's pension contributions via the Parent Company Loan account.

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1999	1998
	£	£
Interest payable on bank borrowing	53,904	54,387
Finance charges	10,159	7,559
Other similar charges payable	6,198	7,469
	<u>70,261</u>	<u>69,415</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1999	1998
	£	£
In respect of the year:		
Corporation tax based on the results for the year at 21/20% (1998 - 21%)	14,800	-
Increase in deferred tax provision	14,900	21,200
	<u>29,700</u>	<u>21,200</u>
Adjustment in respect of previous years:		
Corporation tax	-	4,402
	<u>29,700</u>	<u>25,602</u>



**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

**7. TANGIBLE FIXED ASSETS**

	Land and Buildings £	Plant and Equipment £	Total £
<b>COST OR VALUATION</b>			
At 1 August 1998	294,670	573,114	867,784
Additions	30,281	579,573	609,854
Disposals	-	(63,265)	(63,265)
At 31 July 1999	<u>324,951</u>	<u>1,089,422</u>	<u>1,414,373</u>
<b>DEPRECIATION</b>			
At 1 August 1998	810	137,845	138,655
Charge for the year	16	112,460	112,476
On disposals	-	(32,101)	(32,101)
At 31 July 1999	<u>826</u>	<u>218,204</u>	<u>219,030</u>
<b>NET BOOK VALUE</b>			
At 31 July 1999	<u>324,125</u>	<u>871,218</u>	<u>1,195,343</u>
At 31 July 1998	<u>293,860</u>	<u>435,269</u>	<u>729,129</u>

**Revaluation of fixed assets**

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 of all of the company's plant and equipment was carried out at 3 December 1997 by Messrs Shirlaw Allan & Co, Valuers, of Renfrew on a "going concern" basis.

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

**7. TANGIBLE FIXED ASSETS** *(continued)*

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

	1999 £	1998 £
<b>NBV of revalued tangible fixed assets:</b>		
Net book value at end of year	<u>124,676</u>	<u>155,845</u>
<b>Historical cost:</b>		
At 1 August 1998	212,515	Nil
Cost of assets revalued for the first time in year	<u>Nil</u>	<u>212,515</u>
At 31 July 1999	<u>212,515</u>	<u>212,515</u>
<b>Depreciation:</b>		
At 1 August 1998	(108,004)	Nil
Aggregate depreciation on assets revalued in year	<u>Nil</u>	<u>(93,652)</u>
Charge for year	<u>(26,671)</u>	<u>(14,352)</u>
At 31 July 1999	<u>(134,675)</u>	<u>(108,004)</u>
<b>Net historical cost value:</b>		
At 31 July 1999	<u>77,840</u>	<u>104,511</u>
At 1 August 1998	<u>104,511</u>	<u>Nil</u>

**Hire purchase agreements**

Included within the net book value of £1,195,343 is £315,282 (1998 - £133,357) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £29,952 (1998 - £29,893).

**8. STOCKS**

	1999 £	1998 £
Stock	263,599	80,000
Work in progress	<u>39,510</u>	<u>96,456</u>
	<u>303,109</u>	<u>176,456</u>

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

**9. DEBTORS**

	1999	1998
	£	£
Trade debtors	744,030	1,263,605
Amounts owed by group undertakings	409,669	36,265
Corporation Tax repayable	-	3,860
Other debtors	53,827	61,746
Prepayments and accrued income	41,750	94,658
	<u>1,249,276</u>	<u>1,460,134</u>

**10. CREDITORS: Amounts falling due within one year**

	1999	1998
	£	£
Bank loans and overdrafts	733,972	482,353
Trade creditors	204,835	540,275
Amounts owed to group undertakings	88,891	240,170
Corporation tax	14,779	-
Other taxation and social security	280,259	241,459
Other creditors	294,556	275,967
	<u>1,617,292</u>	<u>1,780,224</u>

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

	1999	1998
	£	£
Bank loans and overdrafts	733,972	482,353
Other secured loans	14,589	33,696
	<u>748,561</u>	<u>516,049</u>

**Bank Overdraft and Term Loan**

- (i) Standard Security over the workshop premises.
- (ii) Bond and Floating Charge held over all the company assets
- (iii) Full Group Security amongst the group companies.

(i) and (ii) are subject to ranking agreements.

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

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**11. CREDITORS: Amounts falling due after more than one year**

	1999	1998
	£	£
Amounts owed to group undertakings	-	50,000
Other creditors:		
Hire purchase agreements	114,812	35,058
Other Loans	-	14,610
	<u>114,812</u>	<u>99,668</u>

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 1999**

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

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

	1999	1998
	£	£
Other secured loans	-	14,610

Details of securities:

**(a) Bank Overdraft and Term Loan**

- (i) Standard Security over the workshop premises.
- (ii) Bond and Floating Charge held over all the company assets.
- (iii) Full Group Security amongst the group companies.

(i) and (ii) are subject to ranking agreements.

**(b) Other Loans:-**

- (i) Highlands & Island Enterprise Loan
  - Amount - £36,000
  - Date Received - 8 January 1990
  - Term - 10 years
  - Interest Rate - 7.5% per annum
  - Repayments - Month
  - Security - Floating charge over all the company assets in favour of the HIE to the amount of £39,600. Ranking Bank £58,000, HIE £39,600 pari passu. Excess at priority to Bank.

- (ii) Highland Prospect Loan
  - Amount - £130,000
  - Date Received - 8 December 1992
  - Term - 6 years
  - Interest Rate - 7.5% per annum
  - Repayments - Monthly
  - Security - This loan is guaranteed by Isleburn Ltd.

- (iii) Ross and Cromarty Enterprise Loan
  - Amount - £12,500
  - Date Received - 29 November 1994
  - Term - 5 years
  - Interest Rate - 6%
  - Repayments - Monthly

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
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**12. DEFERRED TAXATION**

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

	1999	1998
	£	£
Provision brought forward	40,300	19,100
Increase in provision	14,900	21,200
Provision carried forward	<u>55,200</u>	<u>40,300</u>

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

	1999	1998
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>55,200</u>	<u>40,300</u>

**13. GOVERNMENT GRANTS**

	1999	1998
	£	£
<b>Received and receivable:</b>		
At 1 August 1998	42,192	42,192
At 31 July 1999	<u>42,192</u>	<u>42,192</u>
<b>Amortisation:</b>		
At 1 August 1998	38,105	35,125
Credit to profit and loss account	2,480	2,980
At 31 July 1999	<u>40,585</u>	<u>38,105</u>
Net balance at 31 July 1999	<u>1,607</u>	<u>4,087</u>

**14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

Future commitments under hire purchase agreements are as follows:

	1999	1998
	£	£
Amounts payable within 1 year	118,272	44,678
Amounts payable between 2 to 5 years	133,171	41,751
	<u>251,443</u>	<u>86,429</u>
Less interest and finance charges relating to future periods	(34,551)	(13,314)
	<u>216,892</u>	<u>73,115</u>

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
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**15. SHARE CAPITAL**

**Authorised share capital:**

	1999	1998
	£	£
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>10,000</u>

**Allotted, called up and fully paid:**

	1999	1998
	£	£
Ordinary share capital brought forward	10,000	10,000
Issue of ordinary shares	<u>490,000</u>	<u>-</u>
	<u>500,000</u>	<u>10,000</u>

**16. REVALUATION RESERVE**

	1999	1998
	£	£
Balance brought forward	89,841	31,205
Revaluation of fixed assets	-	89,841
Transfer to the profit and loss account on realisation	<u>(4,498)</u>	<u>(31,205)</u>
	<u>85,343</u>	<u>89,841</u>

**17. PROFIT AND LOSS ACCOUNT**

	1999	1998
	£	£
Balance brought forward	342,349	247,419
Retained profit for the financial year	26,993	63,725
Transfer from revaluation reserve	<u>4,498</u>	<u>31,205</u>
Balance carried forward	<u>373,840</u>	<u>342,349</u>

**ISLEBURN MACKAY AND MACLEOD LIMITED**  
**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**  
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**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1999	1998
	£	£
Profit for the financial year	26,993	63,725
Other net recognised gains and losses	-	89,841
New equity share capital subscribed	<u>490,000</u>	<u>-</u>
Net addition to funds	516,993	153,566
Opening shareholders' equity funds	<u>442,190</u>	<u>288,624</u>
Closing shareholders' equity funds	<u><u>959,183</u></u>	<u><u>442,190</u></u>

**19. ULTIMATE PARENT COMPANY**

The company is a wholly owned subsidiary of Isleburn Limited.