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Report of the Directors and
Group Financial Statements
for the Year Ended 31 December 2002
for
Border Construction (Holdings) Limited



Border Construction (Holdings) Limited

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for the Year Ended 31 December 2002

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Border Construction (Holdings) Limited

Company Information
for the Year Ended 31 December 2002

DIRECTORS: Mr C H McGhie
Miss C A K Rafferty

SECRETARY: Miss C A K Rafferty

REGISTERED OFFICE: 8 Princes Street
Lochmaben
Lockerbie
Dumfries-shire
DG11 1QS

REGISTERED NUMBER: SCO 213977

AUDITORS: Gillespie & Anderson
Registered Auditors
Chartered Accountants
147 Bath Street
Glasgow
G2 4SN

Border Construction (Holdings) Limited

Report of the Directors **for the Year Ended 31 December 2002**

The directors present their report with the financial statements of the group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The parent company did not trade during the course of the year. The principal activities of the group in the year under review were those of building and civil engineering contractors, property developers, scaffolders, industrial thermal engineers and pipeline construction. In addition, one subsidiary company in the group was non-trading.

REVIEW OF BUSINESS

The results for the year and financial position of the parent company and group are as shown in the annexed financial statements.

The directors are satisfied with the performance of the parent company and group during the year under review, and are of the opinion that this will continue.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2002.

FIXED ASSETS

The movements in fixed assets during the year are shown in the notes to the financial statements. The directors are of the opinion that there is no significant difference between the book value and the market value of the heritable property in the financial statements.

RESEARCH AND DEVELOPMENT

In view of the nature of the group's trade, it is not active in the field of research and development.

DIRECTORS

The directors of the parent company during the year under review were:

Mr C H McGhie
Miss C A K Rafferty

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the parent company were as follows:

	31.12.02	31.12.01
Ordinary £1 shares		
Mr C H McGhie	120,000	120,000
Miss C A K Rafferty	80,000	80,000

EMPLOYMENT OF PEOPLE WITH DISABILITIES

The group is committed to good practice in the recruitment and career development of people with disabilities. It does not discriminate against the employment of people with disabilities or those who become disabled during the course of their employment. Whenever possible, the group's training schemes are adapted to accommodate those with disabilities.

EMPLOYEE INVOLVEMENT

The group's policy is to continue to develop communications with all employees to inform them on matters of concern and promote awareness of both the financial and economic factors affecting the performance of the group. In addition, subject to practical and commercial considerations, employees will be consulted in the decisions that affect their current jobs and future prospects.

Border Construction (Holdings) Limited

Report of the Directors
for the Year Ended 31 December 2002

STATEMENT OF 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 parent company and the group and of the profit or loss of the parent company and the group for that period. In preparing those financial statements, the directors are required to

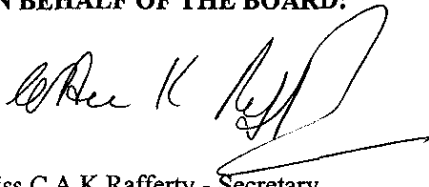
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company and group will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Gillespie & Anderson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Miss C A K Rafferty - Secretary

Dated: 27 August 2003

Border Construction (Holdings) Limited

Report of the Independent Auditors to the Shareholders of
Border Construction (Holdings) Limited

We have audited the group financial statements of Border Construction (Holdings) Limited for the year ended 31 December 2002 on pages five to twenty-two. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with 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 the audit 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

As described on page three the parent company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the parent company or group 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 transactions with the parent company or group is not disclosed.

We read the Report of the Directors 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 United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of both the parent company and group, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the parent company and group as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Gillespie & Anderson
Registered Auditors
Chartered Accountants
147 Bath Street
Glasgow
G2 4SN

Dated: 28 August 2003

The notes form part of these financial statements

Border Construction (Holdings) Limited**Group Profit and Loss Account
for the Year Ended 31 December 2002**

		2002		2001	
	Notes	£	£	£	£
TURNOVER	2		34,521,769		40,069,386
Continuing operations		34,521,769		40,016,977	
Discontinued operations		<u>-</u>		<u>52,409</u>	
Cost of sales	2		<u>28,897,594</u>		<u>34,807,361</u>
GROSS PROFIT	2		5,624,175		5,262,025
Net operating expenses	2		<u>3,829,641</u>		<u>3,814,155</u>
OPERATING PROFIT	3		1,794,534		1,447,870
Continuing operations		1,794,534		1,442,364	
Discontinued operations		<u>-</u>		<u>5,506</u>	
Interest receivable and similar income	5		<u>98,169</u>		<u>6,666</u>
			1,892,703		1,454,536
Interest payable and similar charges	6		<u>51,936</u>		<u>6,431</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,840,767		1,448,105
Tax on profit on ordinary activities	7		<u>518,123</u>		<u>460,507</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			1,322,644		987,598
Minority interests			(4,187)		(1,082)
Retained profit brought forward			<u>6,474,193</u>		<u>5,487,677</u>
RETAINED PROFIT CARRIED FORWARD			<u>£7,792,650</u>		<u>£6,474,193</u>

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current and previous years.

CONTINUING OPERATIONS

The operations of the group were shown as continuing operations (rather than acquired) in 2001, since the Border Construction (Holdings) Limited group came into effect in the year ended 31 December 2001 on the reorganisation of the former Border Travel Services Group, rather than as a result of external acquisitions.

The notes form part of these financial statements

Border Construction (Holdings) Limited

Balance Sheet
31 December 2002

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Investments	10		1,560,007		1,560,007
CREDITORS: Amounts falling due within one year					
Loan - Crombie Construction Limited	14	<u>1,360,007</u>		<u>1,360,007</u>	
NET CURRENT LIABILITIES:			<u>1,360,007</u>		<u>1,360,007</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£200,000</u>		<u>£200,000</u>
CAPITAL AND RESERVES:					
Called up share capital	19		<u>200,000</u>		<u>200,000</u>
SHAREHOLDERS' FUNDS:	23		<u>£200,000</u>		<u>£200,000</u>

ON BEHALF OF THE BOARD:



Mr C H McGhie - Director

Approved by the Board on 27 August 2003

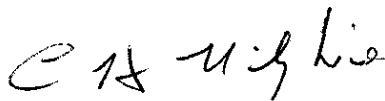
The notes form part of these financial statements

Border Construction (Holdings) Limited

Group Balance Sheet
31 December 2002

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	8		12,750		4,500
Tangible assets	9		1,688,374		1,577,843
Investments	11		<u>900,500</u>		<u>900,500</u>
			2,601,624		2,482,843
CURRENT ASSETS:					
Stocks	12	12,110,772		9,753,735	
Debtors	13	653,345		1,010,602	
Cash in hand		<u>1,256</u>		<u>10,974</u>	
		12,765,373		10,775,311	
CREDITORS: Amounts falling due within one year	14	<u>7,344,552</u>		<u>6,544,487</u>	
NET CURRENT ASSETS:			<u>5,420,821</u>		<u>4,230,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			8,022,445		6,713,667
PROVISIONS FOR LIABILITIES AND CHARGES:					
Deferred taxation	18		(6,775)		(20,641)
Minority interests			<u>(23,020)</u>		<u>(18,833)</u>
			<u>£7,992,650</u>		<u>£6,674,193</u>
CAPITAL AND RESERVES:					
Called up share capital	19		200,000		200,000
Profit and loss account			<u>7,792,650</u>		<u>6,474,193</u>
SHAREHOLDERS' FUNDS:	23		<u>£7,992,650</u>		<u>£6,674,193</u>

ON BEHALF OF THE BOARD:



C H McGhie - Director

Approved by the Board on 27 August 2003

The notes form part of these financial statements

Border Construction (Holdings) Limited**Group Cash Flow Statement**
for the Year Ended 31 December 2002

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		494,258		2,272,688
Returns on investments and servicing of finance	2		46,233		235
Taxation			(543,273)		(408,829)
Capital expenditure and financial investment	2		(439,113)		(1,814,455)
			(441,895)		49,639
Financing	2		(907)		(59,689)
Decrease in cash in the period			<u>(£442,802)</u>		<u>(£10,050)</u>
Reconciliation of net cash flow to movement in net debt	3				
Decrease in cash in the period		(442,802)		(10,050)	
Cash outflow from decrease in debt and lease financing		<u>907</u>		<u>59,689</u>	
Change in net debt resulting from cash flows			(441,895)		49,639
Movement in net debt in the period			(441,895)		49,639
Net debt at 1 January			<u>(62,314)</u>		<u>(111,953)</u>
Net debt at 31 December			<u>(£504,209)</u>		<u>(£62,314)</u>

The notes form part of these financial statements

Border Construction (Holdings) Limited

Notes to the Group Cash Flow Statement
for the Year Ended 31 December 2002

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Year ended 31 December 2002

	Continuing £	Discontinued £	Total £
Operating profit	1,794,534	-	1,794,534
Depreciation charges	365,276	-	365,276
Loss on sale of fixed assets	18,474	-	18,474
Profit on sale of fixed assets	(63,417)	-	(63,417)
Increase in stocks	(2,357,037)	-	(2,357,037)
Decrease in debtors	357,257	-	357,257
Increase in creditors	379,171	-	379,171
Net cash inflow from continuing operating activities	494,258		
Net cash inflow from discontinued operating activities		-	
Net cash inflow from operating activities			494,258

Year ended 31 December 2001

	Continuing £	Discontinued £	Total £
Operating profit	1,442,364	5,506	1,447,870
Depreciation charges	311,182	520	311,702
Loss on sale of fixed assets	124,122	-	124,122
Profit on sale of fixed assets	(30,748)	-	(30,748)
Increase in stocks	(572,643)	-	(572,643)
Decrease in debtors	39,998	-	39,998
Increase in creditors	952,387	-	952,387
Net cash inflow from continuing operating activities	2,266,662		
Net cash inflow from discontinued operating activities		6,026	
Net cash inflow from operating activities			2,272,688

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	98,169	6,666
Interest paid	(51,783)	(3,522)
Interest element of finance lease rentals payments	(153)	(2,909)
Net cash inflow for returns on investments and servicing of finance	46,233	235

The notes form part of these financial statements

Border Construction (Holdings) Limited

Notes to the Cash Flow Statement
for the Year Ended 31 December 2002

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT – continued**

	2002 £	2001 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(10,000)	(5,000)
Purchase of tangible fixed assets	(635,524)	(990,339)
Cash payments - investment purchases	-	(900,500)
Sale of tangible fixed assets	<u>206,411</u>	<u>81,384</u>
Net cash outflow for capital expenditure	<u>(439,113)</u>	<u>(1,814,455)</u>
Financing		
Loan repayments in year	<u>(907)</u>	<u>(59,689)</u>
Net cash outflow from financing	<u>(907)</u>	<u>(59,689)</u>

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank and in hand	10,974	(9,718)	1,256
Bank overdraft	<u>(72,381)</u>	<u>(433,084)</u>	<u>(505,465)</u>
	<u>(61,407)</u>	<u>(442,802)</u>	<u>(504,209)</u>
Debt:			
Finance leases	<u>(907)</u>	<u>907</u>	<u>-</u>
	<u>(907)</u>	<u>907</u>	<u>-</u>
Total	<u>(62,314)</u>	<u>(441,895)</u>	<u>(504,209)</u>
Analysed in Balance Sheet			
Cash at bank and in hand	10,974		1,256
Bank overdraft	(72,381)		(505,465)
Finance leases within one year	<u>(907)</u>		<u>-</u>
	<u>(62,314)</u>		<u>(504,209)</u>

The notes form part of these financial statements

Border Construction (Holdings) Limited

Notes to the Group Financial Statements **for the Year Ended 31 December 2002**

1. ACCOUNTING POLICIES

Accounting convention

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

FRS1

No cash flow statement has been prepared for the parent company in light of its dormant status. The cash flow movements are reflected in the note to the financial statements, "Reconciliation of movements in shareholders funds".

Profit & loss account

As the parent company has remained dormant since incorporation, no profit and loss account has been prepared.

Basis of consolidation

The group financial statements consolidate the financial statements of Border Construction (Holdings) Limited and of its subsidiary company made up to 31 December 2002. The consolidation also includes Border Fulcrum Pipelines Limited and Crombie Construction Limited, both subsidiaries of Border Construction Limited and McColl Wells Limited, a subsidiary of Crombie Construction Limited.

The consolidation does not include the financial statements of Akenside Quays Limited, a joint venture arrangement entered into by Border Construction Limited, the subsidiary company. In the opinion of the directors, Akenside Quays Limited is a joint engagement carrying out a single construction project and as such fails to meet the definition of a "joint venture" as defined by F.R.S. 9. Border Construction Limited's investment in the venture is reflected in the consolidated financial statements as a fixed asset investment.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax and after adjusting for work in progress.

Intangible fixed assets

Intangible fixed assets are stated at cost or valuation less accumulated depreciation. Goodwill purchased in 1998 is being amortised over ten years, whilst goodwill purchased in the year under review is being written off over four years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. A schedule of the movements is produced in the following notes. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Motor vehicles	- 25% on reducing balance/25% on cost
Lorries & vans	- 25% on reducing balance
Caravans & trailers	- 33.33% on reducing balance
Hutting, loose tools & plant	- 33.33% on reducing balance
Plant & machinery	- 33.33% on reducing balance/30% on reducing balance/25% on cost
Portable site offices	- 33.33% on reducing balance
Office machinery	- 33.33% on reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress is valued at cost plus attributable profit less payments to account and foreseeable losses up to completion of the contracts.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date.

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Minority interests

Minority interests in the financial statements reflect an external shareholding in Border Fulcrum Pipelines Limited and have been calculated in accordance with F.R.S. 2.

2. (i) TURNOVER

Turnover of the group arises mainly from the principal activities of building, civil engineering, public works contractors, scaffolders, industrial thermal insulation engineering and pipeline construction.

	Turnover £	2002 Pre-tax Profits £	Net Assets £
Group			
Civil engineering, building and public work contractors	32,676,991	1,628,120	7,167,801
Scaffolders and thermal insulation engineers	1,356,255	168,251	613,987
Pipeline construction	488,523	44,396	210,862
	<u>34,521,769</u>	<u>1,840,767</u>	<u>7,992,650</u>

	Turnover £	2001 Pre-tax Profits £	Net Assets £
Group			
Civil engineering, building and public work contractors	38,705,260	1,343,337	6,023,678
Scaffolders and thermal insulation engineers	1,152,284	92,070	477,333
Pipeline construction	211,842	12,698	173,182
	<u>40,069,386</u>	<u>1,448,105</u>	<u>6,674,193</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

2. (ii) ANALYSIS OF OPERATIONS

	Continuing £	2002 Discontinued £	Total £
Group			
Cost of sales	<u>28,897,594</u>	<u>-</u>	<u>28,897,594</u>
Gross profit	<u>5,624,175</u>	<u>-</u>	<u>5,624,175</u>
Net operating expenses:			
Administrative expenses	3,829,904	-	3,829,904
Other operating income	<u>(263)</u>	<u>-</u>	<u>(263)</u>
	<u>3,829,641</u>	<u>-</u>	<u>3,829,641</u>

	Continuing £	2001 Discontinued £	Total £
Group			
Cost of sales	<u>34,774,931</u>	<u>32,430</u>	<u>34,807,361</u>
Gross profit	<u>5,242,046</u>	<u>19,979</u>	<u>5,262,025</u>
Net operating expenses:			
Administrative expenses	3,800,295	14,473	3,814,768
Other operating income	<u>(613)</u>	<u>-</u>	<u>(613)</u>
	<u>3,799,682</u>	<u>14,473</u>	<u>3,814,155</u>

3. OPERATING PROFIT - GROUP

(a) The operating profit is stated after charging:

	2002 £	2001 £
Hire of plant and machinery	205,320	179,753
Depreciation - owned assets	363,526	304,191
Depreciation - assets on finance leases	-	7,011
(Profit)/Loss on disposal of fixed assets	(44,943)	93,374
Goodwill written off	1,750	500
Auditors' remuneration	<u>21,795</u>	<u>20,030</u>
Directors' emoluments	422,694	403,331
Directors' pension contributions to money purchase schemes	<u>18,346</u>	<u>22,138</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

3. OPERATING PROFIT – GROUP (continued)

	2002	2001
Directors' remuneration - group		
The number of directors to whom retirement benefits were accruing were as follows:		
Money purchase schemes	<u>5</u>	<u>5</u>
Emoluments regarding the highest paid director is as follows:		
	2002	2001
	£	£
Emoluments etc	197,235	170,792
Pension contributions to money purchase pension schemes	<u>7,547</u>	<u>13,478</u>

(b) Staff costs - group

	2002	2001
	£	£
Wages and salaries	7,909,789	7,894,781
Social security costs	691,307	694,583
Other pension costs	<u>119,998</u>	<u>97,431</u>
	<u>8,721,094</u>	<u>8,686,795</u>

The average monthly number of employees of the group during the year was as follows:

	2002	2001
Directors	7	7
Employees	<u>441</u>	<u>455</u>
	<u>448</u>	<u>462</u>

4. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	2002	2001
	£	£
Dealt with in the financial statements of the parent company	-	-
Retained by subsidiaries	<u>1,322,644</u>	<u>987,598</u>
CONSOLIDATED PROFIT FOR THE YEAR AFTER TAXATION (BEFORE MINORITY INTERESTS)	<u>1,322,644</u>	<u>987,598</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

5. INTEREST RECEIVABLE

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank interest	38,275	6,666	-	-
Other interest	<u>59,894</u>	-	-	-
	<u>98,169</u>	<u>6,666</u>	-	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Company	
	2002	2001	2001	2001
	£	£	£	£
Corporation tax interest	-	3,522	-	-
Leasing	153	2,909	-	-
	<u>51,783</u>	-	-	-
	<u>51,936</u>	<u>6,431</u>	-	-

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Based on the adjusted results of the year:				
UK corporation tax	531,854	445,228	-	-
Underprovision in prior year	135	10,330	-	-
Deferred taxation	<u>(13,866)</u>	<u>4,949</u>	-	-
	<u>518,123</u>	<u>460,507</u>	-	-

8. INTANGIBLE FIXED ASSETS - GROUP

	<u>Goodwill</u>
	£
COST:	
At 1 January 2002	5,000
Additions	<u>10,000</u>
	<u>15,000</u>
AMORTISATION:	
At 1 January 2002	500
Charge for year	<u>1,750</u>
At 31 December 2002	<u>2,250</u>
NET BOOK VALUE:	
At 31 December 2002	<u>12,750</u>
At 31 December 2001	<u>4,500</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

9. TANGIBLE FIXED ASSETS - GROUP

	<u>Freehold property</u>	<u>Motor vehicles</u>	<u>Lorries & vans</u>	<u>Caravans & trailers</u>
	£	£	£	£
COST:				
At 1 January 2002	630,277	412,640	656,883	238,405
Additions	14,671	78,630	328,379	-
Disposals	<u>(46,000)</u>	<u>(112,237)</u>	<u>(267,639)</u>	<u>-</u>
At 31 December 2002	<u>598,948</u>	<u>379,033</u>	<u>717,623</u>	<u>238,405</u>
DEPRECIATION:				
At 1 January 2002	15,996	173,979	375,516	161,570
Charge for year	11,979	69,944	116,896	19,210
Eliminated on disposals	<u>-</u>	<u>(56,608)</u>	<u>(217,017)</u>	<u>-</u>
At 31 December 2002	<u>27,975</u>	<u>187,315</u>	<u>275,395</u>	<u>180,780</u>
NET BOOK VALUE:				
At 31 December 2002	<u>570,973</u>	<u>191,718</u>	<u>442,228</u>	<u>57,625</u>
At 31 December 2001	<u>614,280</u>	<u>238,661</u>	<u>281,367</u>	<u>76,835</u>

	<u>Hutting, loose tools & plant</u>	<u>Plant & machinery</u>	<u>Portable site offices</u>	<u>Office machinery</u>	<u>Totals</u>
	£	£	£	£	£
COST:					
At 1 January 2002	213,028	1,248,326	96,544	356,741	3,852,844
Additions	-	162,796	-	51,048	635,524
Disposals	<u>-</u>	<u>(227,815)</u>	<u>-</u>	<u>(9,683)</u>	<u>(663,374)</u>
At 31 December 2002	<u>213,028</u>	<u>1,183,307</u>	<u>96,544</u>	<u>398,106</u>	<u>3,824,994</u>
DEPRECIATION:					
At 1 January 2002	212,862	964,094	95,975	275,008	2,275,000
Charge for year	50	115,222	171	30,054	363,526
Eliminated on disposals	<u>-</u>	<u>(219,491)</u>	<u>-</u>	<u>(8,790)</u>	<u>(501,906)</u>
At 31 December 2002	<u>212,912</u>	<u>859,825</u>	<u>96,146</u>	<u>296,272</u>	<u>2,136,620</u>
NET BOOK VALUE:					
At 31 December 2002	<u>116</u>	<u>323,482</u>	<u>398</u>	<u>101,834</u>	<u>1,688,374</u>
At 31 December 2001	<u>166</u>	<u>284,232</u>	<u>569</u>	<u>81,733</u>	<u>1,577,843</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

9. TANGIBLE FIXED ASSETS - GROUP - continued

Fixed assets, included in the above, which are held under finance leases are as follows:

	<u>Lorries & vans</u>
	£
COST:	
At 1 January 2002	48,508
Transferred to ownership	<u>(48,508)</u>
At 31 December 2002	<u>-</u>
DEPRECIATION:	
At 1 January 2002	27,475
Transferred to ownership	<u>(27,475)</u>
At 31 December 2002	<u>-</u>
NET BOOK VALUE:	
At 31 December 2002	<u>-</u>
At 31 December 2001	<u>21,033</u>

10. FIXED ASSET INVESTMENTS - COMPANY

	£	
COST:		
At 1 January 2002 & 31 December 2002	<u>1,560,007</u>	
NET BOOK VALUE:		
At 31 December 2002	<u><u>1,560,007</u></u>	
At 31 December 2001	<u><u>1,560,007</u></u>	
	2002	2001
	£	£
Unlisted investments	1,560,007	1,560,007

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

10. **FIXED ASSET INVESTMENTS - COMPANY - continued**

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Border Construction Limited

Country of incorporation: England & Wales

Nature of business: Building and civil engineers

	% holding	2002	2001
Class of shares:		£	£
Ordinary	100.00		
Aggregate capital & reserves		7,365,116	6,232,293
Profit for the year		<u>1,132,823</u>	<u>899,990</u>

In addition to the above, Border Construction Limited owns 100% of the ordinary share capital of Crombie Construction Limited (a company incorporated in Scotland), 90% of the ordinary share capital of Border Fulcrum Pipelines Limited and 50% of the ordinary share capital of Akenside Quays Limited (both incorporated in England). Crombie Construction owns 100% of the ordinary share capital of McColl Wells Limited, a company incorporated in Scotland.

In addition, Border Construction Limited owns 100% of the preference share capital of Crombie Construction Limited. No price was paid for the shareholdings in this company.

11. **FIXED ASSET INVESTMENTS - GROUP**

	£
COST:	
At 1 January 2002 & 31 December 2002	<u>900,500</u>
NET BOOK VALUE:	
At 31 December 2002	<u>900,500</u>
At 31 December 2001	<u>900,500</u>
	2002 2001
	£ £
Unlisted investments	<u>900,500</u> <u>900,500</u>
 Fixed asset investments comprise the following:	
	2002 2001
	£ £
Shares in joint engagement	500 500
Loan to joint engagement	<u>900,000</u> <u>900,000</u>
Unlisted investments	<u>900,500</u> <u>900,500</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

11. FIXED ASSET INVESTMENTS - GROUP Continued

The group's investments at the balance sheet date in the share capital of unlisted companies include the following:

Akenside Quays Limited

Nature of business: Property development

	%
Class of shares:	holding
Ordinary	50.00

The first financial statements of Akenside Quays Limited relate to the period from incorporation (24 September 2001) to 31 December 2002, and show a loss for the period of £207,026. The balance sheet shows net liabilities of £206,026 at 31 December 2002.

12. STOCKS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Raw materials & consumables	86,735	105,231	-	-
Long term contract balances	<u>12,024,037</u>	<u>9,648,504</u>	-	-
	<u>12,110,772</u>	<u>9,753,735</u>	-	-

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	282,011	263,974	-	-
Other debtors	284,713	269,770	-	-
Prepayments & accrued income	75,207	89,769	-	-
Loan - Border Travel Services Limited	10,558	193,016	-	-
Loan - Bruce Holdings Limited	<u>856</u>	<u>194,073</u>	-	-
	<u>653,345</u>	<u>1,010,602</u>	-	-

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts (see note 15)	505,465	72,381	-	-
Finance leases (see note 16)	-	907	-	-
Trade creditors	4,367,226	4,359,587	-	-
Other creditors	107,019	129,113	-	-
V.A.T.	553,284	353,761	-	-
Social security & other taxes	215,645	192,599	-	-
Taxation	301,863	313,146	-	-
Accrued expenses	1,294,050	1,122,993	-	-
Amounts due to subsidiary companies	-	-	<u>1,360,007</u>	<u>1,360,007</u>
	<u>7,344,552</u>	<u>6,544,487</u>	<u>1,360,007</u>	<u>1,360,007</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

15. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	<u>505,465</u>	<u>72,381</u>	<u>-</u>	<u>-</u>

16. OBLIGATIONS UNDER LEASING AGREEMENTS - FINANCE LEASES

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Gross obligations repayable:				
Within one year	<u>-</u>	<u>1,073</u>	<u>-</u>	<u>-</u>
Finance charges repayable:				
Within one year	<u>-</u>	<u>166</u>	<u>-</u>	<u>-</u>
Net obligations repayable:				
Within one year	<u>-</u>	<u>907</u>	<u>-</u>	<u>-</u>

The following payments are committed to be paid in relation to operating leases within one year:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Leases expiring:				
Within one year	26,349	5,262	-	-
Between one and five years	<u>141,966</u>	<u>187,085</u>	<u>-</u>	<u>-</u>
	<u>168,315</u>	<u>192,347</u>	<u>-</u>	<u>-</u>

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

17. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2002	2001	2001	2001
	£	£	£	£
Bank overdrafts	505,465	72,381	-	-
Finance leases	-	907	-	-
	<u>505,465</u>	<u>73,288</u>	<u>-</u>	<u>-</u>

Finance lease liabilities are secured over the assets to which they relate.

The parent company has granted a group guarantee for £1,700,000 to the Royal Bank of Scotland, supported by a bond and floating charge over its whole property and undertakings. In addition, both Border Construction Limited and Border Fulcrum Pipelines Limited have granted debentures to the group's bankers over all assets and undertakings, whilst both Crombie Construction Limited and McColl Wells Limited have granted bonds and floating charges to the same end.

18. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2002	2001	2001	2001
	£	£	£	£
Accelerated capital allowances	<u>6,775</u>	<u>20,641</u>	<u>-</u>	<u>-</u>

	Deferred Taxation	
	Group	Company
	£	£
As at 1 January 2002	20,641	-
Movement in provision in year	<u>(13,866)</u>	<u>-</u>
As at 31 December 2002	<u>6,775</u>	<u>-</u>

19. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002	2001
			£	£
200,000	Ordinary	£1	<u>200,000</u>	<u>200,000</u>

20. CONTINGENT LIABILITIES

A bonding facility of £2,500,000 is available to the group from the Royal Bank of Scotland, incorporating bonds and guarantees to third parties from Border Construction Limited amounting to £1,648,808 at 31 December 2002.

In addition, an unlimited inter company guarantee exists between the group companies in favour of the Royal Bank of Scotland, supported by mortgage debentures, bonds and floating charges and in addition to the group guarantee disclosed in note 17.

Border Construction (Holdings) Limited

Notes to the Group Financial Statements
for the Year Ended 31 December 2002

21. PENSION COMMITMENTS

The pension charge in the group's financial statements represents employers contributions towards the personal pension plan of the employees. This is a defined contribution pension scheme, in which the assets of the scheme are held separately from those of the group in an independently administered fund, and the charge per the financial statements for the year amounts to £119,998 (2001 - £97,431). All of the contributions were made by the subsidiary companies.

22.(i) RELATED PARTY DISCLOSURES - COMPANY

The parent company does not trade with its subsidiary. The loan account owed to Crombie Construction Limited (a sub-subsidiary company) and the investment in Border Construction Limited are shown in the notes to the financial statements.

22.(ii) RELATED PARTY DISCLOSURES - GROUP

All related party transactions have been eliminated on consolidation.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Profit for the financial year	1,322,644	987,598	-	-
Allotment of ordinary share capital	-	<u>200,000</u>	-	<u>199,999</u>
Net addition to shareholders' funds	1,322,644	1,187,598	-	199,999
Applicable to minority interests	(4,187)	(1,082)	-	-
Opening shareholders' funds	<u>6,674,193</u>	<u>5,487,677</u>	<u>200,000</u>	<u>1</u>
Closing shareholders' funds	<u>7,992,650</u>	<u>6,674,193</u>	<u>200,000</u>	<u>200,000</u>
Equity interests	<u>7,992,650</u>	<u>6,674,193</u>	<u>200,000</u>	<u>200,000</u>