

Company Number 213977
(Scotland)

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2003



BORDER CONSTRUCTION (HOLDINGS) LIMITED

DIRECTORS

Mr C H McGhie

Miss C A K Rafferty

SECRETARY

Miss C A K Rafferty

AUDITORS

Manson & Partners

Chartered Accountants and Registered Auditors,

51 Rae Street, Dumfries.

BANKERS

The Royal Bank of Scotland plc

100 West George Street

Glasgow

SOLICITORS

McJarrow & Stevenson

55 High Street

Lockerbie

REGISTERED OFFICE

8 Princes Street

Lochmaben

Lockerbie

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BORDER CONSTRUCTION (HOLDINGS) LIMITED

DIRECTORS' REPORT

The directors present their report with the financial statements of the group for the year ended 31 December 2003.

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, painters, industrial thermal engineers and pipeline construction. In addition, one subsidiary company in the group was non-trading.

Review of the 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 2003.

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.

Future Developments

The company has no specific plans for future development.

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

DIRECTORS' REPORT

Directors and their Interests

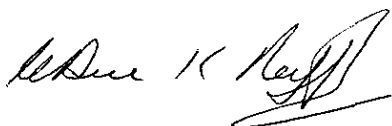
The directors who served during the year and their interests, including family interests, in the share capital of the company are as stated below:

	Ordinary shares of £1 each	
	2003	2002
Mr C H McGhie	120,000	120,000
Miss C A K Rafferty	80,000	80,000

Auditors

The auditors, Manson and Partners, Chartered Accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board on *28 July 2004* and signed on its behalf by



Miss C A K Rafferty
Secretary

BORDER CONSTRUCTION (HOLDINGS) LIMITED

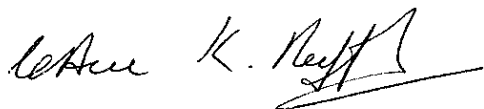
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires 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 results of the the parent company and the group for that year. In preparing those financial statements the directors are required to

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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.

Signed on behalf of the Board of Directors.



Miss C A K Rafferty
Director

Approved by the Board of Directors on 28 July 2004

**INDEPENDENT AUDITORS' REPORT 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 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The 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 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 in the Statements of Directors' Responsibilities 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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 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 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Manson & Partners

Manson and Partners,

Chartered Accountants and Registered Auditor.

28 July 2004

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	2003 £	2002 £
TURNOVER - continuing operations	2	38,807,924	34,521,769
Cost of Sales		32,522,879	28,897,594
GROSS PROFIT		<u>6,285,045</u>	<u>5,624,175</u>
Net operating expenses		4,199,141	3,829,641
OPERATING PROFIT - continuing operations	3	<u>2,085,904</u>	<u>1,794,534</u>
Interest receivable and similar income	5	117,767	98,169
		<u>2,203,671</u>	<u>1,892,703</u>
Interest payable and similar charges	6	36,486	51,936
Profit on ordinary activities before taxation		<u>2,167,185</u>	<u>1,840,767</u>
Tax on profit on ordinary activities	7	657,475	518,123
Profit on ordinary activities after taxation		<u>1,509,710</u>	<u>1,322,644</u>
Minority interests		(6,925)	(4,187)
Retained profit brought forward		7,792,650	6,474,193
RETAINED PROFIT CARRIED FORWARD		<u><u>9,295,435</u></u>	<u><u>7,792,650</u></u>

The group has no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 9 to 23 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

BALANCE SHEET
as at 31 December 2003

		2003		2002	
	Notes	£	£	£	£
Fixed Assets					
Investments	10		1,560,007		1,560,007
Creditors: Amounts falling due within one year	14	<u>1,360,007</u>		<u>1,360,007</u>	
Net Current Liabilities			(1,360,007)		(1,360,007)
Total Assets less Current Liabilities			<u>200,000</u>		<u>200,000</u>
Capital and Reserves					
Called up share capital	20		200,000		200,000
Shareholders' Funds	24		<u>200,000</u>		<u>200,000</u>

C H McGhie

Mr C H McGhie
Director

28 July 2004

The notes on pages 9 to 23 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP BALANCE SHEET
as at 31 December 2003

	Notes	2003		2002	
		£	£	£	£
Fixed Assets					
Intangible assets	8		9,750		12,750
Tangible assets	9		1,667,083		1,688,374
Investments	11		900,500		900,500
			<u>2,577,333</u>		<u>2,601,624</u>
Current Assets					
Stocks	12	3,525,784		12,110,772	
Debtors	13	9,183,091		653,345	
Cash in hand		2,638,207		1,256	
		<u>15,347,082</u>		<u>12,765,373</u>	
Creditors: amounts falling due within one year	14	<u>8,390,492</u>		<u>7,344,552</u>	
Net Current Assets			<u>6,956,590</u>		<u>5,420,821</u>
Total Assets less Current Liabilities			9,533,923		8,022,445
Provision for Liabilities and Charges					
Deferred taxation	19		(8,543)		(6,775)
Minority interests			(29,945)		(23,020)
			<u>9,495,435</u>		<u>7,992,650</u>
Capital and Reserves					
Called up share capital	20		200,000		200,000
Profit and loss account			9,295,435		7,792,650
Shareholders' Funds	24		<u>9,495,435</u>		<u>7,992,650</u>

C H McGhie

C H McGhie

Director

28 July 2004

The notes on pages 9 to 23 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

**GROUP CASH FLOW STATEMENT
for the Year Ended 31 December 2003**

		2003		2002	
	Notes	£	£	£	£
Net cash inflow from operating activities	25.1		3,963,366		494,258
Returns on investments and servicing of finance:					
Interest received		117,767		98,169	
Interest paid		(36,486)		(51,783)	
Interest element of finance lease rentals payments		<u>-</u>		<u>(153)</u>	
Net cash inflow from returns on investments and servicing of finance			81,281		46,233
Taxation:			(562,697)		(543,273)
Capital expenditure:					
Payments to acquire intangible fixed assets		-		(10,000)	
Payments to acquire tangible fixed assets		(434,640)		(635,524)	
Receipts from sale of tangible fixed assets		<u>80,276</u>		<u>206,411</u>	
Net cash outflow from capital expenditure			(354,364)		(439,113)
Financing:					
Advanced by hire purchase creditors		31,946		-	
Capital payments to hire purchase creditors		<u>(17,116)</u>		<u>(907)</u>	
			14,830		(907)
Increase/(Decrease) in cash in the period	25.2		<u><u>3,142,416</u></u>		<u><u>(442,802)</u></u>

Note 25 on page 23 forms part of this cashflow statement

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

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 cashflow 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 and 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 2003. The consolidation also includes Border Fulcrum Pipelines 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 "joint venture" as defined by FRS 9. Border Construction Limited's investment in the venture is reflected in the consolidated financial statements as a fixed asset investment.

Turnover

Turnover represents the value of work executed during the year in respect of the group's main activities, net of value added tax.

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 2002 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 finance lease, over the lease term whichever is shorter.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

1. Accounting Policies - continued

Tangible fixed assets - continued

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

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

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 on account and foreseeable losses up to completion of the contracts.

Long term contracts

Amounts recoverable on long term contracts, which represent the excess of the cumulative value of work done (including attributable profit or net applicable losses) over cumulative payments on account received and receivable, are included in debtors. Payments on account in excess of the value of work done are included in creditors. Profit is taken as contracts progress where the outcome can be assessed with reasonable certainty. Anticipated losses are provided for in full.

Deferred taxation

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

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.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the Year ended 31 December 2003

1. Accounting policies - continued

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 to 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 FRS 2.

2. Turnover

Turnover of the group is entirely attributable to the company's principal activities wholly undertaken in the United Kingdom.

	Turnover	2003 Pre-tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	36,740,887	2,001,620	8,357,572
Scaffolders, thermal insulation engineers and painters	1,297,044	66,008	661,034
Pipeline construction	769,993	88,257	476,829
	<u>38,807,924</u>	<u>2,155,885</u>	<u>9,495,435</u>

	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>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

3. Operating profit - Group

(a) The operating profit is stated after charging:

	2003	2002
	£	£
Hire of plant and machinery	195,650	205,320
Depreciation - owned assets	377,831	363,526
Depreciation - leased assets	5,228	-
(Profit)/Loss on disposal of fixed assets	(7,404)	(44,943)
Goodwill written off	3,000	1,750
Auditors' remuneration - audit services	22,289	21,795
Auditors' remuneration - non-audit services	<u>1,275</u>	<u>-</u>
Directors' emoluments	495,343	422,694
Directors' pension contributions to money purchase schemes	<u>21,957</u>	<u>18,346</u>

Directors' remuneration - group

The number of directors to whom retirement benefits were accruing are as follows:

Money purchase schemes	<u>5</u>	<u>5</u>
------------------------	----------	----------

Emoluments regarding the highest paid director is as follows:

Emoluments etc	237,125	197,235
Pension contributions to money purchase pension schemes	<u>8,920</u>	<u>7,547</u>

(b) **Staff costs - group**

	2003	2002
	£	£
Wages and salaries	8,294,924	7,909,789
Social security costs	692,374	691,307
Other pension costs	145,505	119,998
	<u>9,132,803</u>	<u>8,721,094</u>

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

	2003	2002
Directors	7	7
Employees	<u>425</u>	<u>455</u>
	<u>432</u>	<u>462</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

4. Profit attributable to members of the holding company

	2003 £	2002 £
Dealt with in the financial statements of the parent company	-	-
Retained by subsidiaries	1,509,710	1,322,644
Consolidated profit for the year after taxation (before minority interests)	<u>1,509,710</u>	<u>1,322,644</u>

5. Interest receivable

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank interest	63,682	38,275	-	-
Other interest	53,436	59,894	-	-
Corporation tax interest	649	-	-	-
	<u>117,767</u>	<u>98,169</u>	<u>-</u>	<u>-</u>

6. Interest payable and similar charges

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank interest	34,602	39,015	-	-
Other interest	1,884	12,768	-	-
Leasing	-	153	-	-
	<u>36,486</u>	<u>51,936</u>	<u>-</u>	<u>-</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	
	2003 £	2002 £	2003 £	2002 £
Based on the adjusted results for the year:				
UK corporation tax	655,707	531,854	-	-
Underprovision in prior year	-	135	-	-
Deferred taxation	1,768	(13,866)	-	-
	<u>657,475</u>	<u>518,123</u>	<u>-</u>	<u>-</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

7. Taxation - continued

Factors affecting the tax charge for the period

The tax assessed for the period is less than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are explained below:

	Group	
	2003	2002
	£	£
Profit on ordinary activities before tax	2,167,185	1,840,767
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	650,156	552,230
<i>Effects of:</i>		
Capital allowances for year in excess of depreciation	8,011	(13,707)
Expenses not deductible for tax purposes	13,093	9,790
Adjustment in respect of previous periods	-	(6,674)
Marginal relief	(15,553)	(9,650)
<i>Current tax charge for the period</i>	<u>655,707</u>	<u>531,989</u>

8. Intangible fixed assets - Group

	Goodwill
	£
Cost:	
At 1 January 2003 and At 31 December 2003	<u>15,000</u>
Amortisation:	
At 1 January 2003	2,250
Charge for the year	3,000
At 31 December 2003	<u>5,250</u>
Net Book Value:	
At 31 December 2003	<u>9,750</u>
At 31 December 2002	<u>12,750</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2003

9. Tangible fixed assets - Group

	Freehold property £	Motor vehicles £	Lorries & vans £	Caravans & trailers £
Cost:				
At 1 January 2003	598,948	379,033	717,623	238,405
Additions	-	146,353	114,946	-
Disposals	(20,380)	(71,671)	(51,415)	-
At 31 December 2003	578,568	453,715	781,154	238,405
Depreciation:				
At 1 January 2003	27,975	187,315	275,395	180,780
Charge for the year	11,571	73,155	123,994	14,408
Eliminated on disposals	(2,393)	(40,670)	(34,043)	-
At 31 December 2003	37,153	219,800	365,346	195,188
Net Book Value:				
At 31 December 2003	541,415	233,915	415,808	43,217
At 31 December 2002	570,973	191,718	442,228	57,625

	Hutting, loose tools & plant £	Plant & machinery £	Portable site offices £	Office machinery £	Totals £
Cost:					
At 1 January 2003	213,028	1,183,307	96,544	398,106	3,824,994
Additions	-	112,924	10,425	49,992	434,640
Disposals	-	(173,043)	-	-	(316,509)
At 31 December 2003	213,028	1,123,188	106,969	448,098	3,943,125
Depreciation:					
At 1 January 2003	212,912	859,825	96,146	296,272	2,136,620
Charge for the year	39	114,509	1,175	44,209	383,060
Eliminated on disposals	-	(166,532)	-	-	(243,638)
At 31 December 2003	212,951	807,802	97,321	340,481	2,276,042
Net Book Value:					
At 31 December 2003	77	315,386	9,648	107,617	1,667,083
At 31 December 2002	116	323,482	398	101,834	1,688,374

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

9. Tangible fixed assets - Group - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant & machinery £
Cost:	
At 1 January 2003	-
Additions	34,850
At 31 December 2003	<u>34,850</u>
Depreciation:	
At 1 January 2003	-
Charge for the year	5,228
At 31 December 2003	<u>5,228</u>
Net Book Value:	
At 31 December 2003	<u>29,622</u>
At 31 December 2002	<u>-</u>

10. Fixed asset investment - Company

	£
Cost:	
At 1 January 2003 and 31 December 2003	<u>1,560,007</u>
Net Book Value:	
At 31 December 2003	<u>1,560,007</u>
At 31 December 2002	<u>1,560,007</u>

	2003 £	2002 £
Unlisted investments	<u>1,560,007</u>	<u>1,560,007</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

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

	%
Class of shares:	holding
Ordinary	100

	2003	2002
	£	£
Aggregate capital & reserves	8,744,619	7,365,116
Profit for the year	<u>1,379,503</u>	<u>1,132,823</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 & Wales). Crombie Construction Limited 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 2003 & 31 December 2003		<u>900,500</u>
Net Book Value:		
At 31 December 2003		<u><u>900,500</u></u>
At 31 December 2002		<u><u>900,500</u></u>
	2003	2002
	£	£
Unlisted investments	<u>900,500</u>	<u>900,500</u>

Fixed asset investments comprise the following:

	2003	2002
	£	£
Share in joint engagement	500	500
Loan to joint engagement	900,000	900,000
	<u>900,500</u>	<u>900,500</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

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

	2002
	£
Aggregate capital & reserves	(206,026)
Profit for the year	<u>(207,026)</u>

The results shown above for 2002 are for the period from incorporation (24 September 2001) to 31 December 2002. The results for the year ended 31 December 2003 are not yet available.

12. Stocks

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Raw materials & consumables	127,027	86,735	-	-
Land held for development	516,378	-	-	-
Work in progress	2,882,379	12,024,037	-	-
	<u>3,525,784</u>	<u>12,110,772</u>	<u>-</u>	<u>-</u>

The comparative figure for land held for development at 31 December 2002 is not known and has therefore not been disclosed.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

13. Debtors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts recoverable on contracts	5,451,707	-	-	-
Trade debtors	3,288,008	282,011	-	-
Other debtors	331,072	284,713	-	-
Prepayments & accrued income	59,287	75,207	-	-
Loan - Border Travel Services Limited	52,660	10,558	-	-
Loan - Bruce Holdings Limited	357	856	-	-
	<u>9,183,091</u>	<u>653,345</u>	<u>-</u>	<u>-</u>

Per SSAP 9, the excess of recorded turnover over payments on account for long term contracts has been disclosed as 'amounts recoverable on contracts' within debtors and invoiced amounts, including retentions, have been disclosed as trade debtors at 31 December 2003. The comparative figures at 31 December 2002 are not known and have therefore not been disclosed.

14. Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts (see note 15)	-	505,465	-	-
Trade creditors	5,930,681	4,367,226	-	-
Hire purchase (see note 16)	14,830	-	-	-
Other creditors	171,608	107,019	-	-
VAT	199,588	553,284	-	-
Social security & other taxes	202,673	215,645	-	-
Taxation	394,873	301,863	-	-
Accrued expenses	1,476,239	1,294,050	-	-
Amounts due to subsidiary companies	-	-	1,360,007	1,360,007
	<u>8,390,492</u>	<u>7,344,552</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 2003

15. Loans and overdrafts

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	-	505,465	-	-

16. Obligations under hire purchase contracts

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Obligations analysed as follows:				
Within one year (note 14)	14,830	-	-	-
	<u>14,830</u>	<u>-</u>	<u>-</u>	<u>-</u>

The hire purchase creditors are secured on the assets to which they relate.

Details of the assets acquired under hire purchase contracts are shown in note 9.

17. Obligations under leasing agreements

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Lease expiring:				
Within one year	24,187	26,349	-	-
Between one and five years	81,096	141,966	-	-
	<u>105,283</u>	<u>168,315</u>	<u>-</u>	<u>-</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2003

18. Secured debts

The following secured debts are included within creditors:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank overdrafts	-	505,465	-	-
Hire purchase creditor	14,830	-	-	-

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.

19. Provision for liabilities and charges

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Accelerated capital allowances	8,543	6,775	-	-

	Deferred taxation	
	Group	Company
	£	£
As at 1 January 2003	6,775	-
Movement in provision in year	1,768	-
As at 31 December 2003	8,543	-

As permitted by FRS 19, no deferred tax asset in relation to the capital losses of £203,384 available for future usage by Border Construction Limited at 31 December 2003 has been recognised within the deferred taxation provision, due to the inherent uncertainty over the recoverability of these losses.

20. Called up share capital

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2003	2002
			£	£
200,000	Ordinary	£1	200,000	200,000

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

21. 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.

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 18.

22. 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 £145,505 (2002 - £119,998). At 31 December 2003, there were outstanding pension contributions of £1,028 (2002 - £Nil). All of the contributions were made by the subsidiary companies.

23.(i) Related party disclosures - Company

The company is controlled by the director, Mr C H McGhie, by virtue of his shareholding.

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.

23.(ii) Related party disclosures - Group

All related party transactions have been eliminated on consolidation.

24. Reconciliation of movements in shareholders' funds

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Profit for the financial year	1,509,710	1,322,644	-	-
Net addition to shareholders' funds	1,509,710	1,322,644	-	-
Applicable to minority interests	(6,925)	(4,187)	-	-
Opening shareholders' funds	7,992,650	6,674,193	200,000	200,000
Closing shareholder's funds	9,495,435	7,992,650	200,000	200,000
Equity interest	9,495,435	7,992,650	200,000	200,000

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2003

25. Notes to the group cash flow statement

25.1. Reconciliation of operating profit to net cash flow from operating activities

	2003	2002
	£	£
Operating profit	2,085,904	1,794,534
Depreciation charges	386,059	365,276
Loss on sale of fixed assets	-	18,474
Profit on sale of fixed assets	(7,404)	(63,417)
Increase in stocks	8,584,988	(2,357,037)
Decrease in debtors	(8,529,746)	357,257
Increase in creditors	1,443,565	379,171
Net cash inflow from operating activities	<u>3,963,366</u>	<u>494,258</u>

25.2. Reconciliation of net cash flow to movement in net funds/(debt)

	2003	2002
	£	£
Increase/(decrease) in cash in the year	3,142,416	(442,802)
Cash outflow from decrease in debt and lease financing	17,116	907
Changes in net debt resulting from cash flows	<u>3,159,532</u>	<u>(441,895)</u>
Advanced by hire purchase creditors	(31,946)	-
Movement in net debt in the period	<u>3,127,586</u>	<u>(441,895)</u>
Net funds at start	(504,209)	(62,314)
Net funds at end	<u>2,623,377</u>	<u>(504,209)</u>

25.3. Analysis of changes in net funds/(debt)

	At start	Cash flow	Other non-cash changes	At end
	£	£	£	£
Cash in hand	1,256	2,636,951	-	2,638,207
Bank overdraft	(505,465)	505,465	-	-
Hire purchase creditors	-	17,116	(31,946)	(14,830)
	<u>(504,209)</u>	<u>3,159,532</u>	<u>(31,946)</u>	<u>2,623,377</u>