

**Company Number 213977
(Scotland)**

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2005



BORDER CONSTRUCTION (HOLDINGS) LIMITED

DIRECTORS

Mr C H McGhie

Miss C A K Rafferty

SECRETARY

Miss C A K Rafferty

AUDITORS

Armstrong Watson

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

BORDER CONSTRUCTION (HOLDINGS) LIMITED

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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 2005

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 2005.

Fixed Assets

The movements in fixed assets during the year are shown in the notes to 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.

Post Balance Sheet Events

Subsequent to the year end, the loan from Crombie Construction Limited to the company of £1,360,007 was repaid.

On 25 July 2006, the entire issued share capital of Crombie Construction Limited was sold to Miss C A K Rafferty and Mr C H McGhie.

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	
	2005	2004
Mr C H McGhie	120,000	120,000
Miss C A K Rafferty	80,000	80,000

Auditors

The auditors, Armstrong Watson (formerly 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 25 October 2006 and signed on its behalf by



Miss C A K Rafferty
Secretary

BORDER CONSTRUCTION (HOLDINGS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

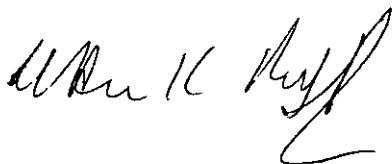
Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the parent company and the group and of the results of the the parent company and the group for that year. In preparing those financial statements the directors 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.

The directors have had regard to the substance of the reported transaction or arrangement when determining how items are presented within the profit and loss account and balance sheet, in accordance with generally accepted accounting principles or practice.

Signed on behalf of the Board of Directors



Miss C A K Rafferty
Director

Approved by the Board of Directors on *25 October 2006*

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 2005 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 2005 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Armstrong Watson,

Chartered Accountants and Registered Auditor.

25 October 2006

BORDER CONSTRUCTION (HOLDINGS) LIMITED**GROUP PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2005

	Notes	2005 £	2004 £
TURNOVER continuing operations	2	38,404,789	44,985,567
Cost of Sales		33,412,900	38,177,090
GROSS PROFIT		<u>4,991,889</u>	<u>6,808,477</u>
Administrative expenses		4,757,650	4,841,043
Other operating income			355
OPERATING PROFIT - continuing operations	3	<u>234,239</u>	<u>1,967,789</u>
Interest receivable and similar income	5	51,468	327,520
		<u>285,707</u>	<u>2,295,309</u>
Interest payable and similar charges	6	1,182	35,999
Profit on ordinary activities before taxation		<u>284,525</u>	<u>2,259,310</u>
Tax on profit on ordinary activities	7	67,680	682,214
Profit on ordinary activities after taxation		<u>216,845</u>	<u>1,577,096</u>
Minority interests		6,961	2,291
Retained profit brought forward		10,874,822	9,295,435
RETAINED PROFIT CARRIED FORWARD		<u><u>11,098,628</u></u>	<u><u>10,874,822</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 2005

	Notes	2005		2004	
		£	£	£	£
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	18		200,000		200,000
Shareholders' Funds	22		<u>200,000</u>		<u>200,000</u>

CH McGhie

Mr C H McGhie
Director

25 October 2006

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

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP BALANCE SHEET as at 31 December 2005

		2005		2004	
	Notes	£	£	£	£
Fixed Assets					
Intangible assets	8		2,500		6,750
Tangible assets	9		1,584,823		1,717,970
Investments	11		1,900,500		1,900,500
			<u>3,487,823</u>		<u>3,625,220</u>
Current Assets					
Stocks	12	3,622,064		1,443,663	
Debtors	13	10,085,122		10,476,581	
Cash in hand		1,858,427		4,922,195	
		<u>15,565,613</u>		<u>16,842,439</u>	
Creditors: amounts falling due within one year	14	<u>7,734,115</u>		<u>9,365,183</u>	
Net Current Assets			<u>7,831,498</u>		<u>7,477,256</u>
Total Assets less Current Liabilities			11,319,321		11,102,476
Provision for Liabilities					
Deferred taxation	17				
Minority interests			(20,693)		(27,654)
			<u>11,298,628</u>		<u>11,074,822</u>
Capital and Reserves					
Called up share capital	18		200,000		200,000
Profit and loss account			11,098,628		10,874,822
Shareholders' Funds	22		<u>11,298,628</u>		<u>11,074,822</u>

CH McGhie

C H McGhie
Director

25 October 2006

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 2005

		2005		2004	
	Notes	£	£	£	£
Net cash inflow from operating activities	23.1		(2,408,805)		4,245,268
Returns on investments and servicing of finance:					
Interest received		51,468		327,520	
Interest paid		<u>(1,182)</u>		<u>(35,999)</u>	
Net cash inflow from returns on investments and servicing of finance			50,286		291,521
Taxation:			(454,660)		(771,170)
Capital expenditure:					
Payments to acquire tangible fixed assets		(294,609)		(1,540,549)	
Receipts from sale of tangible fixed assets		<u>44,020</u>		<u>73,748</u>	
Net cash outflow from capital expenditure			(250,589)		(1,466,801)
Financing:					
Advanced by hire purchase creditors				(14,830)	
Capital payments to hire purchase creditors				<u>(14,830)</u>	(14,830)
Increase/(Decrease) in cash in the period	23.2		<u><u>(3,063,768)</u></u>		<u><u>2,283,988</u></u>

Note 23 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 2005

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 2005. 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 2005

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	30% on reducing balance
Hutting, loose tools & plant	30% on reducing balance
Plant & machinery	30% on reducing balance/25% on cost
Portable site offices	30% on reducing balance
Office machinery	30% 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 2005

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	2005 Pre tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	36,791,414	246,462	10,180,938
Scaffolders, thermal insulation engineers and painters	1,517,552	107,714	813,205
Pipeline construction	95,823	(69,651)	304,485
	<u>38,404,789</u>	<u>284,525</u>	<u>11,298,628</u>

	Turnover	2004 Pre tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	42,997,473	2,211,058	9,886,881
Scaffolders and thermal insulation engineers	1,122,298	71,758	725,887
Pipeline construction	865,796	(23,506)	462,054
	<u>44,985,567</u>	<u>2,259,310</u>	<u>11,074,822</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

3. Operating profit Group

(a) The operating profit is stated after charging

	2005	2004
	£	£
Hire of plant and machinery	204,002	169,347
Other operating leases	41,899	24,427
Depreciation owned assets	376,391	428,476
(Profit)/Loss on disposal of fixed assets	(18,245)	(12,563)
Goodwill written off	4,250	3,000
Auditors' remuneration audit services	<u>22,360</u>	<u>22,293</u>
Directors' emoluments	355,531	518,696
Directors' pension contributions to money purchase schemes	23,593	23,504
Compensation for loss of office	<u>94,635</u>	<u></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>
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Emoluments regarding the highest paid director is as follows

Emoluments etc	168,185	239,266
Pension contributions to money purchase pension schemes	<u>7,254</u>	<u>9,362</u>

(b) **Staff costs group**

	2005	2004
	£	£
Wages and salaries	8,544,154	8,386,893
Social security costs	768,994	753,007
Other pension costs	176,242	171,670
	<u>9,489,390</u>	<u>9,311,570</u>

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

	2005	2004
Directors	7	7
Employees	<u>375</u>	<u>401</u>
	<u>382</u>	<u>408</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

4. Profit attributable to members of the holding company

	2005	2004
	£	£
Dealt with in the financial statements of the parent company		
Retained by subsidiaries	216,845	1,577,096
Consolidated profit for the year after taxation (before minority interests)	<u>216,845</u>	<u>1,577,096</u>

5. Interest receivable

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank interest	122,800	134,710		
Other interest	(71,343)	192,783		
Corporation tax interest	11	27		
	<u>51,468</u>	<u>327,520</u>		

6. Interest payable and similar charges

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank interest	10	29,920		
Other interest	1,172	6,079		
	<u>1,182</u>	<u>35,999</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	
	2005	2004	2005	2004
	£	£	£	£
Based on the adjusted results for the year				
UK corporation tax	81,179	695,701		
Underprovision in prior year	(1,041)	1,297		
Current tax charge	80,138	696,998		
Deferred taxation	(12,458)	(14,784)		
	<u>67,680</u>	<u>682,214</u>		

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

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% (2004 30%) The differences are explained below

	Group	
	2005	2004
	£	£
Profit on ordinary activities before tax	284,525	2,259,310
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 30%)	85,358	677,792
<i>Effects of</i>		
Capital allowances for year in excess of depreciation	15,265	10,720
Expenses not deductible for tax purposes	10,362	15,539
Income not taxable	(75)	
Remediation of contaminated land relief	(19,544)	
Adjustment in respect of previous periods	(1,041)	1,297
Marginal relief	(10,187)	(8,350)
<i>Current tax charge for the period</i>	<u>80,138</u>	<u>696,998</u>

8. Intangible fixed assets Group

	Goodwill
	£
Cost:	
At 1 January 2005 and	
At 31 December 2005	<u>15,000</u>
Amortisation:	
At 1 January 2005	8,250
Charge for the year	4,250
At 31 December 2005	<u>12,500</u>
Net Book Value:	
At 31 December 2005	<u>2,500</u>
At 31 December 2004	<u>6,750</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

9. Tangible fixed assets Group

	Freehold property £	Motor vehicles £	Lorries & vans £	Caravans & trailers £
Cost:				
At 1 January 2005	578,568	546,630	820,554	238,405
Additions	24,813	10,401	118,467	
Disposals		(77,791)	(152,899)	
At 31 December 2005	603,381	479,240	786,122	238,405
Depreciation:				
At 1 January 2005	48,724	267,366	384,255	209,579
Charge for the year	12,068	75,688	121,487	8,648
Eliminated on disposals		(57,541)	(131,285)	
At 31 December 2005	60,792	285,513	374,457	218,227
Net Book Value:				
At 31 December 2005	542,589	193,727	411,665	20,178
At 31 December 2004	529,844	279,264	436,299	28,826

	Hutting, loose tools & plant £	Plant & machinery £	Portable site offices £	Office machinery £	Totals £
Cost:					
At 1 January 2005	213,028	1,255,417	106,969	481,738	4,241,309
Additions		136,154		4,778	294,613
Disposals		(64,176)			(294,866)
At 31 December 2005	213,028	1,327,395	106,969	486,516	4,241,056
Depreciation:					
At 1 January 2005	212,977	908,985	100,534	390,919	2,523,339
Charge for the year	15	128,473	1,931	28,081	376,391
Eliminated on disposals		(54,671)			(243,497)
At 31 December 2005	212,992	982,787	102,465	419,000	2,656,233
Net Book Value:					
At 31 December 2005	36	344,608	4,504	67,516	1,584,823
At 31 December 2004	51	346,432	6,435	90,819	1,717,970

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

10. Fixed asset investment Company

	£	
Cost:		
At 1 January 2005 and 31 December 2005		<u>1,560,007</u>
Net Book Value:		
At 31 December 2005		<u>1,560,007</u>
At 31 December 2004		<u>1,560,007</u>
	2005	2004
	£	£
Unlisted investments	<u>1,560,007</u>	<u>1,560,007</u>

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

	2005	2004
	£	£
Aggregate capital & reserves	10,466,685	10,273,426
Profit for the year	<u>193,262</u>	<u>1,528,807</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

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

11. Fixed asset investments Group

	£
Cost:	
At 1 January 2005	1,900,500
Additions	
At 31 December 2005	<u>1,900,500</u>
Net Book Value:	
At 31 December 2005	<u>1,900,500</u>
At 31 December 2004	<u>1,900,500</u>

	2005	2004
	£	£
Unlisted investments	<u>1,900,500</u>	<u>1,900,500</u>

Fixed asset investments comprise the following

	2005	2004
	£	£
Share in joint engagement	500	500
Loan to joint engagement	1,900,000	1,900,000
	<u>1,900,500</u>	<u>1,900,500</u>

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

	2004	2003
	£	£
Aggregate capital & reserves	46,912	(1,503)
Profit for the year	<u>48,415</u>	<u>204,523</u>

The results shown above are for the year ended 31 December 2004 and the year ended 31 December 2003 The results for the year ended 31 December 2005 are not yet available

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

12. Stocks

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Raw materials & consumables	105,138	125,125		
Land held for development	2,327,733	337,066		
Work in progress	1,189,193	981,472		
	3,622,064	1,443,663		

13. Debtors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts recoverable on contracts	4,036,459	4,274,751		
Trade debtors	4,167,887	4,402,808		
Other debtors	427,777	385,970		
Prepayments & accrued income	149,937	152,597		
Loan Border Travel Services Limited	28,114	25,303		
Loan Bruce Holdings Limited	434	463		
Loan Akenside Quays Limited	1,274,514	1,234,689		
	10,085,122	10,476,581		

Included in other debtors is a deferred tax asset of £18,699 (2004 £6,241) arising due to decelerated capital allowances

14. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	6,428,530	7,368,136		
Other creditors	112,811	16,206		
VAT	341,211	417,524		
Social security & other taxes	294,391	268,002		
Taxation	27,268	320,701		
Accrued expenses	529,904	974,614		
Amounts due to subsidiary companies			1,360,007	1,360,007
	7,734,115	9,365,183	1,360,007	1,360,007

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

15. Obligations under leasing agreements

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

Land and buildings	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Lease expiring				
Within one year				
Between one and five years	14,000	14,000		
	14,000	14,000		
Other	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Lease expiring				
Within one year	8,930	39,272		
Between one and five years	152,221	131,872		
	161,151	171,144		

16. Secured debts

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.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

17. Provision for liabilities

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	(18,699)	(6,241)		
			Deferred taxation	
			Group	Company
			£	£
As at 1 January 2005			(6,241)	
Movement in provision in year			(12,458)	
As at 31 December 2005			(18,699)	

The deferred tax asset at 31 December 2005 is included in other debtors (note 13)

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 2005 has been recognised within the deferred taxation provision, due to the inherent uncertainty over the recoverability of these losses

18. Called up share capital

Authorised, allotted, issued and fully paid			2005	2004
Number	Class	Nominal value		
			£	£
200,000	Ordinary	£1	200,000	200,000

19. 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 16

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

20. 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 £176,242 (2004 £171,670). At 31 December 2005, there were outstanding pension contributions of £Nil (2004 £Nil). All of the contributions were made by the subsidiary companies.

21.(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.

21.(ii) Related party disclosures Group

All group transactions have been eliminated on consolidation.

In the year under review, a trading relationship existed between the group and Border Travel Services Limited (company with common directors), Bruce Holdings Limited (company with a director common to that of the parent company) and McJerrrow and Stevenson Solicitors (a sole trader business where one of the directors of the parent company is a proprietor).

Sales to related parties in the year amounted to £1,588 with sales to Border Travel Services Limited totalling £10,988 and Bruce Holdings Limited £1,292.

Purchases from related parties in the year amounted to £6,381 with Border Travel Services Limited.

Interest of £226,170 was due for the year from Akenside Quays Limited, the joint venture company, in respect of loans advanced and trading debt. At the balance sheet date, total interest due amounted to £231,981.

During the year, the group provided services to Miss C A K Rafferty and Mr C H McGhie, the directors, to a value of £13,610 and £24,419 respectively. These transactions were conducted on a commercial basis.

Outstanding balances in respect of these related parties at the year end are shown in the notes to the financial statements.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2005

22. Reconciliation of movements in shareholders' funds

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Profit for the financial year	216,845	1,577,096		
Net addition to shareholders' funds	216,845	1,577,096		
Applicable to minority interests	6,961	2,291		
Opening shareholders' funds	11,074,822	9,495,435	200,000	200,000
Closing shareholder's funds	11,298,628	11,074,822	200,000	200,000
Equity interest	11,298,628	11,074,822	200,000	200,000

23. Post balance sheet events

Subsequent to the year end, the loan from Crombie Construction Limited to the company of £1,360,007 was repaid

On 25 July 2006, the entire issued share capital of Crombie Construction Limited was sold to Miss C A K Rafferty and Mr C H McGhie

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS **for the year ended 31 December 2005**

23. Notes to the group cash flow statement

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

	2005	2004
	£	£
Operating profit	222,939	1,956,489
Depreciation charges	381,041	442,776
Profit on sale of fixed assets	18,245	(12,562)
Increase in stocks	(2,178,401)	2,082,121
Decrease in debtors	574,497	(1,297,087)
Increase in creditors	(1,427,126)	1,073,531
Net cash inflow from operating activities	<u>(2,408,805)</u>	<u>4,245,268</u>

23.2. Reconciliation of net cash flow to movement in net funds

	2005	2004
	£	£
Increase/(decrease) in cash in the year	(3,063,768)	2,283,988
Cash outflow from decrease in debt and lease financing		14,830
Changes in net debt resulting from cash flows	<u>(3,063,768)</u>	<u>2,298,818</u>
Advanced by hire purchase creditors		
Movement in net debt in the period	<u>(3,063,768)</u>	<u>2,298,818</u>
Net funds at start	4,922,195	2,623,377
Net funds at end	<u>1,858,427</u>	<u>4,922,195</u>

23.3. Analysis of changes in net funds

	At start	Cash flow	Other non cash changes	At end
	£	£	£	£
Cash in hand	4,922,195	(3,063,768)		1,858,427