

Company Number 213977
(Scotland)

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2006



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 2006

Principal Activities and Business Review

The parent company did not trade during the course of the year. The principal activities of the group in the year under review were building, civil engineering, private housing development, joinery manufacture and building maintenance. The pipeline construction activities ceased during the year.

The group operates as a regional contractor with specific focus throughout northern England and Southern Scotland including the Scottish central belt.

The directors are encouraged by the performance of the group during the year under review. Group revenue increased by 8.5% in the year to £41.68m (£38.40m at 31 December 2005). Operating profit improved to £1.85m (£0.23m at 31 December 2005) and pre-tax profit was £2.28m (£0.28m at 31 December 2005).

The group is well placed to consolidate this position with a substantial order book going into the new financial year.

Major contract awards during the year included the construction work, in association with Scottish Borders Education PPP, for the new Berwickshire High School at Duns, with a contract value of £20m.

On 25 July 2006, the group completed the sale of the subsidiary, Crombie Construction Limited along with its subsidiary undertaking, McColl Wells Limited.

The joint venture development, Akenside Quays Limited, in which the group has a 50% stake, has continued to have its difficulties due to failure to achieve sales of completed units. However, following the year end, a trade sale was completed for the majority of the remaining stock. It is unlikely that the project will make a positive return. However, the deficit is not anticipated to be significant and has been fully recognised in the results for the year.

The building maintenance business, trading as Finlayson, based in the Borders region, enjoyed a successful trading year and high levels of repeat business.

Employees

The group companies are equal opportunity employers. Their 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. Consultation takes place through formal and informal meetings with local management and involves all levels of employees, particularly on matters that affect their current jobs and future prospects.

The group is committed to good practice in the recruitment and career development of people with disabilities, having regard for the aptitudes and abilities of applicants and the constraints of the group's operations. It does not discriminate against the employment of people with disabilities or those who become disabled during the course of their employment.

DIRECTORS' REPORT

Risk Management

The group takes necessary measures to identify and manage risks to the business and particularly to individual contracts. The directors have established rigorous processes and risk management procedures which cover all aspects of the business. The principal risks and uncertainties facing the group include the following

Health & Safety

The group undertakes regular reviews and updates to its health and safety policy and procedures with a view to reducing an already low incidence of reportable accidents

Environmental

The group takes its responsibilities to protect the environment very seriously. Environmental Management systems to BS EN ISO 14001 standard are in place and are subject to internal and external auditing

Construction Risk

The group tenders for a large number of contracts each year. A tender appraisal is carried out by a committee, including board members, with particular attention paid to identify and assess risk

The delivery of contracts is controlled through the group's operational management procedures. This includes regular reviews of each contract, with the emphasis being placed on issues affecting delivery, together with a forecast of revenue and cost to completion

Quality

The group has developed operational management systems, which are accredited to BS EN ISO 9001:2000. They are subject to both internal and external audit. The systems are designed in order that a high level of quality is produced to the satisfaction of our clients

The group is committed to providing adequate training to all levels of staff in order that there is a proper understanding of the systems and working practices that are in place and we seek continued improvement by setting quality objectives

Dividends

No dividends will be distributed for the year ended 31 December 2006

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

Future Developments

The company has no specific plans for future development

BORDER CONSTRUCTION (HOLDINGS) LIMITED

DIRECTORS' REPORT

Directors and their Interests

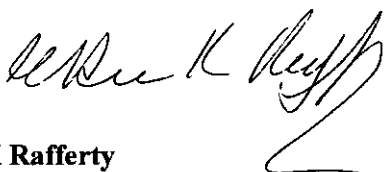
The directors who served during the year and their interests, including family interests, in the share capital of the company are as stated below

	Ordinary shares of £1 each	
	2006	2005
Mr C H McGhie	120,000	120,000
Miss C A K Rafferty	80,000	80,000

Auditors

The auditors, Armstrong Watson 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 *16 May 2007* and signed on its behalf by



Miss C A K Rafferty
Secretary

BORDER CONSTRUCTION (HOLDINGS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

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 of the company who held office at the date of approval of the annual report confirm that

So far as they are aware, there is no relevant audit information, information needed by the company's auditors in connection with preparing their report, of which the company's auditors are unaware, and

They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Signed on behalf of the Board of Directors



Miss C A K Rafferty
Director

Approved by the Board of Directors on 16 May 2007

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BORDER CONSTRUCTION (HOLDINGS) LIMITED**

We have audited the group and parent company financial statements of Border Construction (Holdings) Limited for the year ended 31 December 2006 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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.

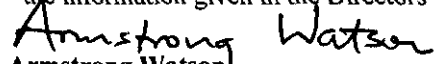
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.


Armstrong Watson

Chartered Accountants and Registered Auditor.

16 May 2007

BORDER CONSTRUCTION (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT
as at 31 December 2006

	2006	2005
	£	£
Investment income	1,360,007	
Profit on ordinary activities before taxation	<u>1,360,007</u>	<u></u>
Taxation		
Retained profit for the year	<u><u>1,360,007</u></u>	<u><u></u></u>

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

The notes on pages 11 to 27 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

	Notes	2006		2005	
		£	£	£	£
TURNOVER	2				
Continuing operations		41,096,154		36,791,414	
Discontinued operations		<u>587,329</u>		<u>1,613,375</u>	
		41,683,483		38,404,789	
Cost of Sales	3		35,167,216		33,412,900
GROSS PROFIT			<u>6,516,267</u>		<u>4,991,889</u>
Administrative expenses	3		4,667,514		4,757,650
OPERATING PROFIT/(LOSS)	4				
Continuing operations		1,904,707		196,187	
Discontinued operations		<u>(55,954)</u>		<u>38,052</u>	
		1,848,753		234,239	
Profit/(loss) on disposal of discontinued operations			(16,043)		
Profit on ordinary activities before interest			<u>1,832,710</u>		<u>234,239</u>
Interest receivable and similar income	6		444,106		51,468
Interest payable and similar charges	7				1,182
Profit on ordinary activities before taxation			<u>2,276,816</u>		<u>284,525</u>
Tax on profit on ordinary activities	8		676,579		67,680
Profit on ordinary activities after taxation			<u>1,600,237</u>		<u>216,845</u>
Minority interests			4,421		6,961
Retained profit brought forward			11,098,628		10,874,822
RETAINED PROFIT CARRIED FORWARD			<u><u>12,703,286</u></u>		<u><u>11,098,628</u></u>

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

The notes on pages 11 to 27 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

BALANCE SHEET

as at 31 December 2006

	Notes	2006		2005	
		£	£	£	£
Fixed Assets					
Investments	11		1,560,007		1,560,007
Creditors: Amounts falling due within one year	15			1,360,007	
Net Current Liabilities			-	(1,360,007)	
Total Assets less Current Liabilities			<u>1,560,007</u>	<u>200,000</u>	
Capital and Reserves					
Called up share capital	19		200,000		200,000
Profit and loss account			1,360,007		
Shareholders' Funds	23		<u>1,560,007</u>	<u>200,000</u>	

C H McGhie

Mr C H McGhie

Director

16 May 2007

The notes on pages 11 to 27 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP BALANCE SHEET
as at 31 December 2006

		2006		2005	
	Notes	£	£	£	£
Fixed Assets					
Intangible assets	9				2,500
Tangible assets	10		1,699,002		1,584,823
Investments	12		1,900,500		1,900,500
			<u>3,599,502</u>		<u>3,487,823</u>
Current Assets					
Stocks	13	3,389,548		3,622,064	
Debtors	14	12,021,232		10,085,122	
Cash in hand		3,789,643		1,858,427	
		<u>19,200,423</u>		<u>15,565,613</u>	
Creditors' amounts falling due within one year	15	<u>9,880,368</u>		<u>7,734,115</u>	
Net Current Assets			<u>9,320,055</u>		<u>7,831,498</u>
Total Assets less Current Liabilities			12,919,557		11,319,321
Provision for Liabilities					
Deferred taxation	18				
Minority interests			(16,271)		(20,693)
			<u>12,903,286</u>		<u>11,298,628</u>
Capital and Reserves					
Called up share capital	19		200,000		200,000
Profit and loss account			12,703,286		11,098,628
Shareholders' Funds	23		<u>12,903,286</u>		<u>11,298,628</u>

CH McGhie

C H McGhie
Director

16 May 2007

The notes on pages 11 to 27 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP CASH FLOW STATEMENT
for the Year Ended 31 December 2006

		2006		2005	
	Notes	£	£	£	£
Net cash inflow from operating activities	24.1		1,917,774		(2,408,805)
Returns on investments and servicing of finance:					
Interest received		444,106		51,468	
Interest paid				(1,182)	
Net cash inflow from returns on investments and servicing of finance			444,106		50,286
Taxation:			(235,901)		(454,660)
Capital expenditure:					
Payments to acquire tangible fixed assets		(679,259)		(294,609)	
Receipts from sale of tangible fixed assets		118,472		44,020	
Net cash outflow from capital expenditure			(560,787)		(250,589)
Acquisitions and disposals:					
Sale of sub subsidiaries		360,000			
Overdraft transferred on sale		6,024			
			366,024		
Increase/(Decrease) in cash in the period	24.2		<u>1,931,216</u>		<u>(3,063,768)</u>

Note 24 on pages 26 and 27 forms part of this cashflow statement

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

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"

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 2006

The results of the sub subsidiaries disposed of during the year have been included up to the date of disposal

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 2006

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 2006

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	2006 Pre tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	41,096,154	2,332,770	12,749,498
Scaffolders, thermal insulation engineers and painters	576,794	(9,756)	
Pipeline construction	10,535	(46,198)	153,788
	<u>41,683,483</u>	<u>2,276,816</u>	<u>12,903,286</u>

	Turnover	2005 Pre tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	36,791,414	246,462	10,180,938
Scaffolders and thermal insulation engineers	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>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the Year ended 31 December 2006

3. Note to the Profit and Loss Account

	2006		
	Continuing	Discontinued	Total
	£	£	£
Cost of Sales	<u>34,701,568</u>	<u>465,648</u>	<u>35,167,216</u>
Administrative expenses	<u>4,543,047</u>	<u>124,467</u>	<u>4,667,514</u>
	2005		
	Continuing	Discontinued	Total
	£	£	£
Cost of Sales	<u>32,195,483</u>	<u>1,217,417</u>	<u>33,412,900</u>
Administrative expenses	<u>4,498,753</u>	<u>258,897</u>	<u>4,757,650</u>

4. Operating profit Group

(a) The operating profit is stated after charging

	2006	2005
	£	£
Hire of plant and machinery	166,857	204,002
Other operating leases	48,834	41,899
Depreciation owned assets	356,387	376,391
(Profit)/Loss on disposal of fixed assets	(8,182)	(18,245)
Goodwill written off	2,500	4,250
Auditors' remuneration audit services	<u>20,700</u>	<u>22,360</u>
Directors' emoluments	424,212	355,531
Directors' pension contributions to money purchase schemes	26,885	23,593
Compensation for loss of office	<u></u>	<u>94,635</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	153,874	168,185
Pension contributions to money purchase pension schemes	<u>10,058</u>	<u>7,254</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

Note 4 contd.

(b) Staff costs group

	2006	2005
	£	£
Wages and salaries	8,250,041	8,544,154
Social security costs	769,032	768,994
Other pension costs	167,742	176,242
	<u>9,186,815</u>	<u>9,489,390</u>

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

	2006	2005
Directors	5	7
Employees	354	375
	<u>359</u>	<u>382</u>

5. Profit attributable to members of the holding company

	2006	2005
	£	£
Dealt with in the financial statements of the parent company		
Retained by subsidiaries	1,600,237	216,845
Consolidated profit for the year after taxation		
(before minority interests)	<u>1,600,237</u>	<u>216,845</u>

6. Interest receivable

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank interest	58,695	122,800		
Other interest	385,411	(71,343)		
Corporation tax interest		11		
	<u>444,106</u>	<u>51,468</u>		

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

7. Interest payable and similar charges

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank interest		10		
Other interest		1,172		
		1,182		

8. Taxation

Analysis of the tax charge

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

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Based on the adjusted results for the year				
UK corporation tax	694,640	81,179		
Underprovision in prior year	(1,325)	(1,041)		
Current tax charge	693,315	80,138		
Deferred taxation	(16,736)	(12,458)		
	676,579	67,680		

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% (2005 30%) The differences are explained below

	Group	
	2006	2005
	£	£
Profit on ordinary activities before tax	2,276,816	284,525
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	683,045	85,358
<i>Effects of</i>		
Capital allowances for year in excess of depreciation	(4,838)	15,265
Expenses not deductible for tax purposes	16,508	10,362
Income not taxable	(75)	(75)
Remediation of contaminated land relief		(19,544)
Adjustment in respect of previous periods	(1,325)	(1,041)
Marginal relief		(10,187)
<i>Current tax charge for the period</i>	693,315	80,138

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2006

9. Intangible fixed assets Group

	Goodwill £
Cost:	
At 1 January 2006 and	
At 31 December 2006	<u>15,000</u>
Amortisation:	
At 1 January 2006	12,500
Charge for the year	2,500
	<u>15,000</u>
At 31 December 2006	
Net Book Value:	
At 31 December 2006	<u><u> </u></u>
At 31 December 2005	<u><u>2,500</u></u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

10. Tangible fixed assets Group

	Freehold property £	Motor vehicles £	Lorries & vans £	Caravans & trailers £
Cost:				
At 1 January 2006	603,381	479,240	786,122	238,405
Additions	8,531	234,923	151,361	
Disposals		(322,538)	(187,179)	
At 31 December 2006	611,912	391,625	750,304	238,405
Depreciation:				
At 1 January 2006	60,792	285,513	374,457	218,227
Charge for the year	12,238	78,396	117,161	6,053
Eliminated on disposals		(226,638)	(154,625)	
At 31 December 2006	73,030	137,271	336,993	224,280
Net Book Value:				
At 31 December 2006	538,882	254,354	413,311	14,125
At 31 December 2005	542,589	193,727	411,665	20,178

	Hutting, loose tools & plant £	Plant & machinery £	Portable site offices £	Office machinery £	Totals £
Cost:					
At 1 January 2006	213,028	1,327,395	106,969	486,516	4,241,056
Additions		227,917		56,527	679,259
Disposals		(528,970)		(1,049)	(1,039,736)
At 31 December 2006	213,028	1,026,342	106,969	541,994	3,880,579
Depreciation:					
At 1 January 2006	212,992	982,787	102,465	419,000	2,656,233
Charge for the year	11	114,698	1,351	26,481	356,389
Eliminated on disposals		(448,788)		(994)	(831,045)
At 31 December 2006	213,003	648,697	103,816	444,487	2,181,577
Net Book Value:					
At 31 December 2006	25	377,645	3,153	97,507	1,699,002
At 31 December 2005	36	344,608	4,504	67,516	1,584,823

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS **for the year ended 31 December 2006**

11. Fixed asset investment Company

	£
Cost:	
At 1 January 2006 and 31 December 2006	<u>1,560,007</u>
Net Book Value:	
At 31 December 2006	<u>1,560,007</u>
At 31 December 2005	<u>1,560,007</u>
	2006
	£
	2005
	£
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

	2006	2005
	£	£
Aggregate capital & reserves	12,903,143	10,466,688
Profit for the year	<u>2,436,455</u>	<u>193,262</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 2006

12. Fixed asset investments Group

	£	
Cost:		
At 1 January 2006		1,900,500
Additions		
At 31 December 2006		<u>1,900,500</u>
Net Book Value:		
At 31 December 2006		<u>1,900,500</u>
At 31 December 2005		<u>1,900,500</u>
	2006	2005
	£	£
Unlisted investments	<u>1,900,500</u>	<u>1,900,500</u>
Fixed asset investments comprise the following		
	2006	2005
	£	£
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

	2005	2004
	£	£
Aggregate capital & reserves	(397,340)	46,912
Profit for the year	<u>(444,252)</u>	<u>48,415</u>

The results shown above are for the year ended 31 December 2005 and the year ended 31 December 2004 The results for the year ended 31 December 2006 are not yet available

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

13. Stocks

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials & consumables	84,656	105,138		
Land held for development	2,167,781	2,327,733		
Work in progress	1,137,111	1,189,193		
	3,389,548	3,622,064		

14. Debtors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts recoverable on contracts	5,801,916	4,036,459		
Trade debtors	3,760,866	4,167,887		
Other debtors	923,867	427,777		
Prepayments & accrued income	151,380	149,937		
Loan Border Travel Services Limited	25,415	28,114		
Loan Bruce Holdings Limited	823	434		
Loan Akenside Quays Limited	1,348,813	1,274,514		
Loan McColl Wells Limited	8,152			
	12,021,232	10,085,122		

Included in other debtors is a deferred tax asset of £20,394 (2005 £18,699) arising due to decelerated capital allowances

15 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	7,777,293	6,428,530		
Other creditors	102,946	112,811		
VAT	450,055	341,211		
Social security & other taxes	284,910	294,391		
Taxation	469,641	27,268		
Accrued expenses	795,523	529,904		
Amounts due to subsidiary companies				1,360,007
	9,880,368	7,734,115		1,360,007

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

16. 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	
	2006	2005	2006	2005
	£	£	£	£
Lease expiring				
Within one year				
Between one and five years		14,000		
		<u>14,000</u>		

Other

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Lease expiring				
Within one year	35,376	8,930		
Between one and five years	40,888	152,221		
	<u>76,264</u>	<u>161,151</u>		

17. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Accelerated capital allowances	(20,394)	(18,699)		
			Deferred taxation	
			Group	Company
			£	£
As at 1 January 2006			(18,699)	
Movement in provision in year			(1,695)	
As at 31 December 2006			(20,394)	-

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 2006 has been recognised within the deferred taxation provision, due to the inherent uncertainty over the recoverability of these losses

Authorised, allotted, issued and fully paid				
Number	Class	Nominal value	2006 £	2005 £
200,000	Ordinary	£1	200,000	200,000

There are contingent liabilities in respect of performance bonds and guarantees given by the Royal Bank of Scotland plc to third parties on behalf of the group totalling £3,786,510 (2005 bonding facility of £2,500,000).

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

At the balance sheet date, the group held an option agreement to purchase further land at a development site for a consideration of £860,000 with an option fee of £60,000. Since the balance sheet date this option has been exercised.

During the year, the group issued an option to purchase land owned by the group for a consideration of £500,000. This option has been exercised after the year end.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2006

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 £167,742 (2005 £176,242). At 31 December 2006, there were outstanding pension contributions of £Nil (2005 £Nil). All of the contributions were made by the subsidiary companies.

22.(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 investment in Border Construction Limited is shown in the notes to the financial statements.

22.(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 McJerrow and Stevenson Solicitors (a sole trader business where one of the directors of the parent company is a proprietor).

On 25 July 2006, the investment in Crombie Construction Limited, was sold to the directors of Border Construction (Holdings) Limited for £360,000. The group does not trade with Crombie Construction Limited, but a trading relationship exists with its subsidiary, McColl Wells Limited.

Sales to related parties in the year amounted to £45,773 with sales to Border Travel Services Limited totalling £995, to Bruce Holdings Limited £7,859, to McJerrow and Stevenson £331 and to McColl Wells Limited (from 25 July 2006) £36,588.

Purchases from related parties in the year amounted to £49,174 with purchases from Border Travel Services Limited totalling £12,290, from Bruce Holdings Limited £1,936, from McJerrow and Stevenson £19,487 and from McColl Wells Limited (from 25 July 2006) £15,461.

Interest of £245,704 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 £608,391.

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 2006**23. Reconciliation of movements in shareholders' funds**

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Profit for the financial year	1,600,237	216,845	1,360,007	
Net addition to shareholders' funds	1,600,237	216,845	1,360,007	
Applicable to minority interests	4,421	6,961		
Opening shareholders' funds	11,298,628	11,074,822	200,000	200,000
Closing shareholder's funds	12,903,286	11,298,628	1,560,007	200,000
Equity interest	12,903,286	11,298,628	1,560,007	200,000

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2006

24. Notes to the group cash flow statement

24.1 Reconciliation of operating profit to net cash flow from operating activities

	2006			2005		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£	£	£	£	£	£
Operating profit	1,904,707	(55,954)	1,848,753	184,887	38,052	222,939
Depreciation charges	334,061	24,828	358,889	337,171	43,870	381,041
Profit on sale of fixed assets	(2,780)	(94)	(2,874)	19,605	(1,360)	18,245
Increase in stocks	103,798	(14,899)	88,899	(2,192,372)	13,971	(2,178,401)
Decrease in debtors	(1,994,629)	(170,712)	(2,165,341)	332,679	241,818	574,497
Increase in creditors	1,831,599	(42,151)	1,789,448	(1,320,795)	(106,331)	(1,427,126)
Net cash inflow from operating activities	<u>2,176,756</u>	<u>(258,982)</u>	<u>1,917,774</u>	<u>(2,638,825)</u>	<u>230,020</u>	<u>(2,408,805)</u>

24.2 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase/(decrease) in cash in the year	1,931,216	(3,063,768)
Movement in net debt in the period	<u>1,931,216</u>	<u>(3,063,768)</u>
Net funds at start	1,858,427	4,922,195
Net funds at end	<u><u>3,789,643</u></u>	<u><u>1,858,427</u></u>

24.3 Analysis of changes in net funds

	At start	Cash flow	Other non cash changes	At end
	£	£	£	£
Cash in hand	<u>1,858,427</u>	<u>1,931,216</u>		<u>3,789,643</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2006

24.4. Sale of Sub subsidiaries

On 25 July 2006, Crombie Construction Limited and its subsidiary, McColl Wells Limited, were sold

In the financial statements for the year ended 31 December 2006, there is a loss attributable to these subsidiaries of £7,263 (2005 £81,897 profit)

	£
Proceeds from disposal	<u>360,000</u>
Represented by	
Tangible fixed assets	93,093
Stocks	143,617
Debtors	230,926
Cash	99
Bank overdraft	(6,024)
Creditors	<u>(85,668)</u>
	376,043
Loss on disposal	(16,043)
	<u>360,000</u>

The sale contributed £(1,292) to the group's net operating cash flows, received £10,600 from sale of fixed assets and paid £62,664 for capital expenditure