

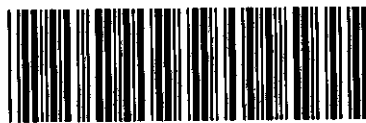
Company Number 213977
(Scotland)

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2007

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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

MacRoberts

152 Bath Street

Glasgow

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 2007

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 previous 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 satisfied with the performance of the company during the year under review.

Revenue increased by 17.6% in the year to £49.00m (£41.68m at 31 December 2006).

Operating profit of £1.45m (£1.85m at 31 December 2006) was achieved, the reduction on 2006 was due to a reduction in sales in the private house building division.

The company is well placed to further consolidate its position with a substantial order book going into the new financial year.

Major contract awards during the year included a new supermarket at Castle Douglas (£2.3m), extensions and alterations to Kendal College (£5.2m), a new Primary School, Denholm (£3.13m), City Chambers refurbishment, Edinburgh (£1.99m) and housing developments at Jedburgh (£2.47m) and Mussleburgh (£1.78m) and two contracts for Dumfries and Galloway R I amounting to £2.87m.

The Construction work, in association with Scottish Borders Education PPP, for the new Berwickshire High School at Duns, with a contract value of £20m, is proceeding well and the first two key programme dates have been achieved. Completion is anticipated early December 2008.

The Homes division whilst experiencing a reduction in profitability in the current year due to a reduction in sales has three developments coming to the market in the year ahead.

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.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

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 2007

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

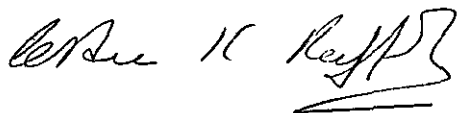
The directors who served during the year and their interests, including family interests, in the share capital of the company are as stated below

	Ordinary shares of £1 each	
	2007	2006
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 18 March 2008 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

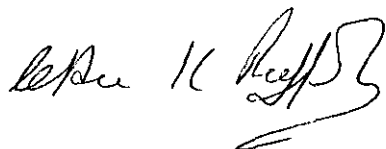
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding 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 18 March 2008

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 2007 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.

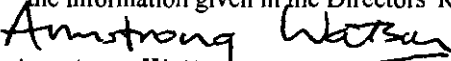
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 2007 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.

18 March 2008

BORDER CONSTRUCTION (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT
as at 31 December 2007

	2007	2006
	£	£
Investment income		1,360,007
Profit on ordinary activities before taxation		1,360,007
Taxation		
Retained profit for the year		1,360,007

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

The notes on pages 11 to 26 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	Notes	2007		2006	
		£	£	£	£
TURNOVER	2				
Continuing operations		48,983,266		41,096,154	
Discontinued operations		<u>17,022</u>		<u>587,329</u>	
		49,000,288		41,683,483	
Cost of Sales	3	42,571,531		35,167,216	
GROSS PROFIT		<u>6,428,757</u>		<u>6,516,267</u>	
Administrative expenses	3	4,973,922		4,667,514	
OPERATING PROFIT/(LOSS)	4				
Continuing operations		1,444,703		1,904,707	
Discontinued operations		<u>10,132</u>		<u>(55,954)</u>	
		1,454,835		1,848,753	
Profit/(loss) on disposal of discontinued operations				(16,043)	
Profit on ordinary activities before interest		<u>1,454,835</u>		<u>1,832,710</u>	
Interest receivable and similar income	6	349,368		444,106	
Interest payable and similar charges	7	5,441			
Profit on ordinary activities before taxation		<u>1,798,762</u>		<u>2,276,816</u>	
Tax on profit on ordinary activities	8	535,627		676,579	
Profit on ordinary activities after taxation		<u>1,263,135</u>		<u>1,600,237</u>	
Minority interests		(813)		4,421	
Retained profit brought forward		12,703,286		11,098,628	
RETAINED PROFIT CARRIED FORWARD		<u><u>13,965,608</u></u>		<u><u>12,703,286</u></u>	

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

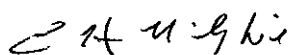
The notes on pages 11 to 26 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

BALANCE SHEET

as at 31 December 2007

	Notes	2007		2006	
		£	£	£	£
Fixed Assets					
Investments	11		1,560,007		1,560,007
Total Assets less Current Liabilities			<u>1,560,007</u>		<u>1,560,007</u>
Capital and Reserves					
Called up share capital	19		200,000		200,000
Profit and loss account			1,360,007		1,360,007
Shareholders' Funds	23		<u>1,560,007</u>		<u>1,560,007</u>



Mr C H McGhie

Director

18 March 2008

The notes on pages 11 to 26 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP BALANCE SHEET

as at 31 December 2007

	Notes	2007		2006	
		£	£	£	£
Fixed Assets					
Intangible assets	9				
Tangible assets	10		1,636,185		1,699,002
Investments	12		385,804		1,900,500
			<u>2,021,989</u>		<u>3,599,502</u>
Current Assets					
Stocks	13	5,342,743		3,389,548	
Debtors	14	11,582,004		12,021,232	
Cash in hand		6,074,923		3,789,643	
		<u>22,999,670</u>		<u>19,200,423</u>	
Creditors: amounts falling due within one year	15	<u>10,838,967</u>		<u>9,880,368</u>	
Net Current Assets			<u>12,160,703</u>		<u>9,320,055</u>
Total Assets less Current Liabilities			14,182,692		12,919,557
Provision for Liabilities					
Deferred taxation	18				
Minority interests			(17,084)		(16,271)
			<u>14,165,608</u>		<u>12,903,286</u>
Capital and Reserves					
Called up share capital	19		200,000		200,000
Profit and loss account			13,965,608		12,703,286
Shareholders' Funds	23		<u>14,165,608</u>		<u>12,903,286</u>

C H McGhie

C H McGhie

Director

18 March 2008

The notes on pages 11 to 26 form part of these financial statements

BORDER CONSTRUCTION (HOLDINGS) LIMITED

GROUP CASH FLOW STATEMENT for the year ended 31 December 2007

		2007		2006	
	Notes	£	£	£	£
Net cash inflow from operating activities	24.1		1,467,298		1,917,774
Returns on investments and servicing of finance:					
Interest received		349,368		444,106	
Interest paid		<u>(5,441)</u>		<u> </u>	
Net cash inflow from returns on investments and servicing of finance			343,927		444,106
Taxation:			(744,640)		(235,901)
Capital expenditure:					
Payments to acquire tangible fixed assets		(400,096)		(679,259)	
Receipts from sale of tangible fixed assets		104,095		118,472	
Repayment of loans by participating interests		<u>1,514,696</u>		<u> </u>	
Net cash outflow from capital expenditure			1,218,695		(560,787)
Acquisitions and disposals:					
Sale of sub subsidiaries				360,000	
Overdraft transferred on sale		<u> </u>		<u>6,024</u>	
					366,024
Increase/(Decrease) in cash in the period	24.2		<u><u>2,285,280</u></u>		<u><u>1,931,216</u></u>

Note 24 on page 26 forms part of this cashflow statement

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2007

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 2007

The consolidation does not include the financial statements of Homegone Limited (formerly Akenside Quays Limited), a joint venture arrangement entered into by Border Construction Limited, the subsidiary company. In the opinion of the directors, Homegone 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. Both goodwill purchased in 1998 and 2002 has now been written off in full.

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 2007

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 2007

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	2007 Pre-tax Profits	Net Assets
	£	£	£
Group			
Civil engineering, building and public work contractors	48,983,266	1,788,630	14,005,931
Scaffolders, thermal insulation engineers and painters			
Pipeline construction	17,022	10,132	159,677
	<u>49,000,288</u>	<u>1,798,762</u>	<u>14,165,608</u>

	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>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

3. Note to the Profit and Loss Account

	Continuing	2007	Total
	£	Discontinued	£
	£	£	£
Cost of Sales	<u>42,571,531</u>	<u></u>	<u>42,571,531</u>
Administrative expenses	<u>4,967,076</u>	<u>6,846</u>	<u>4,973,922</u>
	Continuing	2006	Total
	£	Discontinued	£
	£	£	£
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>

4. Operating profit Group

(a) The operating profit is stated after charging

	2007	2006
	£	£
Hire of plant and machinery	146,306	166,857
Other operating leases	30,998	48,834
Depreciation owned assets	370,410	356,387
(Profit)/Loss on disposal of fixed assets	(11,592)	(8,182)
Goodwill written off		2,500
Auditors' remuneration audit services	<u>18,000</u>	<u>20,700</u>
Directors' emoluments	439,677	424,212
Directors' pension contributions to money purchase schemes	<u>29,118</u>	<u>26,885</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	156,583	153,874
Pension contributions to money purchase pension schemes	<u>10,458</u>	<u>10,058</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

Note 4 contd.

(b) Staff costs group

	2007	2006
	£	£
Wages and salaries	8,166,148	8,250,041
Social security costs	773,021	769,032
Other pension costs	172,536	167,742
	<u>9,111,705</u>	<u>9,186,815</u>

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

	2007	2006
Directors	7	7
Employees	<u>324</u>	<u>354</u>
	<u>331</u>	<u>361</u>

5. Profit attributable to members of the holding company

	2007	2006
	£	£
Dealt with in the financial statements of the parent company		
Retained by subsidiaries	1,263,135	1,600,237
Consolidated profit for the year after taxation		
(before minority interests)	<u>1,263,135</u>	<u>1,600,237</u>

6. Interest receivable

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank interest	322,789	58,695		-
Other interest	26,579	385,411		
	<u>349,368</u>	<u>444,106</u>		

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

7. Interest payable and similar charges

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Other interest	5,441			
	<u>5,441</u>			

8. Taxation

Analysis of the tax charge

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

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Based on the adjusted results for the year				
UK corporation tax	552,191	694,640		
Underprovision in prior year		(1,325)		
Current tax charge	552,191	693,315		
Deferred taxation	(16,564)	(16,736)		
	<u>535,627</u>	<u>676,579</u>		

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% (2006 30%) The differences are explained below

	Group	
	2007	2006
	£	£
Profit on ordinary activities before tax	1,798,762	2,276,816
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%/19 75% (2006 30%)	535,200	683,045
<i>Effects of</i>		
Capital allowances for year in excess of depreciation	1,767	(4,838)
Expenses not deductible for tax purposes	15,224	16,508
Income not taxable		(75)
Adjustment in respect of previous periods		(1,325)
Sundry tax adjusting items		
Marginal relief		
<i>Current tax charge for the period</i>	<u>552,191</u>	<u>693,315</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2007

9. Intangible fixed assets Group

	Goodwill
	£
Cost:	
At 1 January 2007 and	
At 31 December 2007	<u>15,000</u>
Amortisation:	
At 1 January 2007	15,000
Charge for the year	
At 31 December 2007	<u>15,000</u>
Net Book Value:	
At 31 December 2007	<u><u> </u></u>
At 31 December 2006	<u><u> </u></u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

10. Tangible fixed assets Group

	Freehold property £	Motor vehicles £	Lorries & vans £	Caravans & trailers £
Cost:				
At 1 January 2007	611,912	391,625	750,304	238,405
Additions	2,826	214,467	68,676	-
Disposals	(53,270)	(76,640)	(57,712)	
At 31 December 2007	<u>561,468</u>	<u>529,452</u>	<u>761,268</u>	<u>238,405</u>
Depreciation:				
At 1 January 2007	73,030	137,271	336,993	224,280
Charge for the year	11,229	89,546	109,426	4,238
Eliminated on disposals	(9,124)	(43,378)	(42,617)	
At 31 December 2007	<u>75,135</u>	<u>183,439</u>	<u>403,802</u>	<u>228,518</u>
Net Book Value:				
At 31 December 2007	<u>486,333</u>	<u>346,013</u>	<u>357,466</u>	<u>9,887</u>
At 31 December 2006	<u>538,882</u>	<u>254,354</u>	<u>413,311</u>	<u>14,125</u>

	Hutting, loose tools & plant £	Plant & machinery £	Portable site offices £	Office machinery £	Totals £
Cost:					
At 1 January 2007	213,028	1,026,342	106,969	541,994	3,880,579
Additions		98,293		15,834	400,096
Disposals					(187,622)
At 31 December 2007	<u>213,028</u>	<u>1,124,635</u>	<u>106,969</u>	<u>557,828</u>	<u>4,093,053</u>
Depreciation:					
At 1 January 2007	213,003	648,697	103,816	444,487	2,181,577
Charge for the year	8	124,960	945	30,058	370,410
Eliminated on disposals					(95,119)
At 31 December 2007	<u>213,011</u>	<u>773,657</u>	<u>104,761</u>	<u>474,545</u>	<u>2,456,868</u>
Net Book Value:					
At 31 December 2007	<u>17</u>	<u>350,978</u>	<u>2,208</u>	<u>83,283</u>	<u>1,636,185</u>
At 31 December 2006	<u>25</u>	<u>377,645</u>	<u>3,153</u>	<u>97,507</u>	<u>1,699,002</u>

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

11. Fixed asset investment Company

	£	
Cost:		
At 1 January 2007 and 31 December 2007		<u>1,560,007</u>
Net Book Value:		
At 31 December 2007		<u>1,560,007</u>
At 31 December 2006		<u>1,560,007</u>
	2007	2006
	£	£
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

	2007	2006
	£	£
Aggregate capital & reserves	14,146,847	12,903,143
Profit for the year	<u>1,243,704</u>	<u>2,436,455</u>

In addition to the above, Border Construction Limited owns 90% of the ordinary share capital of Border Fulcrum Pipelines Limited and 50% of the ordinary share capital of Homegone Limited (formerly Akenside Quays Limited) Both companies are incorporated in England & Wales

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

12. Fixed asset investments Group

	£
Cost:	
At 1 January 2007	1,900,500
Additions	
Repayment of loans by participating interests	(1,514,696)
At 31 December 2007	<u>385,804</u>
Net Book Value:	
At 31 December 2007	<u>385,804</u>
At 31 December 2006	<u>1,900,500</u>

	2007	2006
	£	£
Unlisted investments	<u>385,804</u>	<u>1,900,500</u>

Fixed asset investments comprise the following

	2007	2006
	£	£
Share in joint engagement	500	500
Loan to joint engagement	385,304	1,900,000
	<u>385,804</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

Homegone Limited (formerly Akenside Quays Limited)

Nature of business Property development

	%
Class of shares	holding
Ordinary	50

	2006	2005
	£	£
Aggregate capital & reserves	(908,421)	(397,340)
Profit/(loss) for the year	<u>(511,081)</u>	<u>162,714</u>

The financial statements for the year ended 31 December 2007 are not yet available.

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

13. Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Raw materials & consumables	85,764	84,656		
Land held for development	4,252,777	2,167,781		
Work in progress	1,004,202	1,137,111		
	<u>5,342,743</u>	<u>3,389,548</u>		

14. Debtors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts recoverable on contracts	5,937,359	5,801,916		
Trade debtors	5,352,815	3,760,866		
Other debtors	131,370	923,867		
Prepayments & accrued income	134,767	151,380		
Loan Border Travel Services Limited		25,415		
Loan Bruce Holdings Limited	324	823		
Loan Homegone Limited	2,442	1,348,813		
Loan McCoil Wells Limited	22,927	8,152		
	<u>11,582,004</u>	<u>12,021,232</u>		

Included in other debtors is a deferred tax asset of £36,958 (2006. £20,394) arising due to decelerated capital allowances

15. Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	8,620,683	7,777,293		
Payments on account	477,782			
Other creditors	121,381	102,946		
VAT	267,976	450,055		
Social security & other taxes	267,725	284,910		
Taxation	277,192	469,641		
Accrued expenses	806,218	795,523		
Loan Border Travel Services Limited	10			
	<u>10,838,967</u>	<u>9,880,368</u>		

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2007

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	
	2007	2006	2007	2006
	£	£	£	£
Lease expiring				
Within one year	4,500	4,500		
Between one and five years	26,550	26,550		
	<u>31,050</u>	<u>31,050</u>		
Other	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Lease expiring				
Within one year		35,376		
Between one and five years	149,788	40,888		
	<u>149,788</u>	<u>76,264</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 2007

	Group	Company
	2007	2006
	£	£
Accelerated capital allowances	(36,958)	(20,394)
		Deferred taxation
		Group Company
		£ £
As at 1 January 2007		(20,394)
Movement in provision in year		(16,564)
As at 31 December 2007		(36,958)

As permitted by FRS 19, no deferred tax asset in relation to the capital losses of £198,693 available for future usage by Border Construction Limited at 31 December 2007 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	2007 £	2006 £
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 £4,006,801 (2006 bonding facility of £3,786,510)

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

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 December 2007

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 £172,536 (2006 £167,742). At 31 December 2007, there were outstanding pension contributions of £Nil (2006 £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 company Border Travel Services Limited (company with two common directors), Bruce Holdings Limited (company with a director common to that of the company) and McJarrow and Stevenson Solicitors (a sole trader business where one of the directors of the company was the proprietor for part of the year).

Sales to related parties in the year amounted to £76,345 (2006 £45,773) with sales to Border Travel Services Limited totalling £2,722 (2006 £995), to Bruce Holdings Limited £580 (2006 £7,859), to McJarrow and Stevenson £nil (2006 £331) and to McColl Wells Limited totalling £73,043 (2006 £36,588 from 25 July 2006).

Purchases from related parties in the year amounted to £99,507 (2006 49,174) with purchases from Border Travel Services Limited totalling £25,994 (2006 12,290), from Bruce Holdings Limited £1,042 (2006 £1,936), from McJarrow and Stevenson £6,351 (2006 £19,487) and from McColl Wells Limited £66,120 (2006 £15,461 from 25 July 2006).

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

The interest due in respect of the loans advanced and trading debt with the joint venture company Homegone Limited (formerly Akenside Quays Limited) amounted to £23,779 (2006 245,704) and at the balance sheet date, total interest outstanding was £162,575 (2006 £608,391).

Property was also bought from (£412,000) and sold to (£70,000) Border Travel Services Limited during the year. There were no amounts outstanding in relation to these transactions.

BORDER CONSTRUCTION (HOLDINGS) LIMITED**NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2007****23. Reconciliation of movements in shareholders' funds**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Profit for the financial year	1,263,135	1,600,237		1,360,007
Net addition to shareholders' funds	1,263,135	1,600,237		1,360,007
Applicable to minority interests	(813)	4,421		
Opening shareholders' funds	12,903,286	11,298,628	1,560,007	200,000
Closing shareholder's funds	14,165,608	12,903,286	1,560,007	1,560,007
Equity interest	14,165,608	12,903,286	1,560,007	1,560,007

BORDER CONSTRUCTION (HOLDINGS) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS **for the year ended 31 December 2007**

24. Notes to the group cash flow statement

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

	2007			2006		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£	£	£	£	£	£
Operating profit	1,444,703	10,132	1,454,835	1,904,707	(55,954)	1,848,753
Depreciation charges	370,410		370,410	334,061	24,828	358,889
Profit on sale of fixed assets	(11,592)		(11,592)	(2,780)	(94)	(2,874)
(Increase)/decrease in stocks	(1,959,195)	6,000	(1,953,195)	103,798	(14,899)	88,899
Decrease/(increase) in debtors	450,443	5,349	455,792	(1,994,629)	(170,712)	(2,165,341)
Increase in creditors	1,149,667	1,381	1,151,048	1,831,599	(42,151)	1,789,448
Net cash inflow from operating activities	<u>1,444,436</u>	<u>22,862</u>	<u>1,467,298</u>	<u>2,176,756</u>	<u>(258,982)</u>	<u>1,917,774</u>

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

	2007	2006
	£	£
Increase/(decrease) in cash in the year	2,285,280	1,931,216
Movement in net debt in the period	<u>2,285,280</u>	<u>1,931,216</u>
Net funds at start	3,789,643	1,858,427
Net funds at end	<u>6,074,923</u>	<u>3,789,643</u>

24.3 Analysis of changes in net funds

	At start	Cash flow	Other non-cash changes	At end
	£	£	£	£
Cash in hand	<u>3,789,643</u>	<u>2,285,280</u>		<u>6,074,923</u>