

**LAND ENGINEERING (SCOTLAND)
LIMITED**

Report and Financial Statements

31 August 2008

LAND ENGINEERING (SCOTLAND) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

LAND ENGINEERING (SCOTLAND) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John T Ronald
Stuart Dillett
John N Macdonald
David J Irvine
Charles J Barrett

SECRETARY

John N Macdonald

REGISTERED OFFICE

2 Blythswood Square
Glasgow
G2 4AD

BANKERS

Royal Bank of Scotland plc
96 John Finnie Street
Kilmarnock
KA1 1NY

SOLICITORS

Brodies LLP
2 Blythswood Square
Glasgow
G2 4AD

INDEPENDENT AUDITORS

Deloitte LLP
Glasgow

LAND ENGINEERING (SCOTLAND) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 August 2008.

PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of Land Engineering Limited. The company's ultimate parent company is Land Engineering Group Holdings Limited, a company registered in Scotland.

The company's principal activities during the year were civil engineering and landscape and ground maintenance contractors. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

BUSINESS REVIEW AND FUTURE PROSPECTS

The directors are pleased to report that profits continued to improve with profit before tax being 83% greater than previous years as a consequence of the greater workload and improved contract profitability.

Sales increased by 18% due to an increased workload. Sales are anticipated to increase in the following year.

The company's balance sheet, on page 7 of the financial statements, shows that the company's financial position at the year end continued to strengthen and shareholders' funds amounted to £2,518,000 (2007 - £2,018,000). Details of amounts owed by and owed to group companies are shown in notes 9 and 10 on page 12 and 13.

There have been no significant events since the balance sheet date.

The directors are satisfied with the results for the year and will continue to seek appropriate trading opportunities to further enhance profitability in the forthcoming year.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

PROFIT AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6.

No dividend (2007 - £nil) was paid in the year and the profit for the year is to be transferred to reserves.

DIRECTORS

The directors during the year and to the date of this report are as noted on page 1.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the company's markets is a continuing risk. The company manages this risk by providing competitive pricing to its customers and by maintaining strong relationships with customers.

Group risks are disclosed in the financial statements of Land Engineering Group Holdings Limited which does not form part of this report.

CREDIT RISK

The company's principal financial assets are bank balances, trade debtors and intercompany balances. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of customers. The company does not enter into any derivative financial instruments.

LAND ENGINEERING (SCOTLAND) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

ENVIRONMENT

The Land Engineering group recognises the importance of its environmental responsibilities, and designs and implements policies to reduce any damage that might be caused by the group's activities. The Land Engineering group has successfully secured accreditation to ISO 14001 Environmental Management Systems.

EMPLOYEES

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 10.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in the group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

INDEPENDENT AUDITORS

A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



John N Macdonald
Secretary

30 June 2009

LAND ENGINEERING (SCOTLAND) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAND ENGINEERING (SCOTLAND) LIMITED

We have audited the financial statements of Land Engineering (Scotland) Limited for the year ended 31 August 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under 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 an auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 company 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 other transactions 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 company's affairs as at 31 August 2008 and of its 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Glasgow
United Kingdom

30 June 2009

LAND ENGINEERING (SCOTLAND) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 August 2008

	Note	2008 £'000	2007 £'000
TURNOVER	1	39,542	33,614
Cost of sales		(33,440)	(28,494)
GROSS PROFIT		6,102	5,120
Administrative expenses		(5,360)	(4,690)
OPERATING PROFIT	2	742	430
Interest receivable and similar income	4	77	52
Interest payable and similar charges	5	(76)	(76)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		743	406
Taxation on profit on ordinary activities	6	(243)	(117)
PROFIT FOR THE YEAR	16	500	289

The accompanying notes form an integral part of this profit and loss account.

Movements in reserves are shown in the notes to the financial statements.

There are no recognised gains or losses in 2007 or 2008 other than the profit for those years. Accordingly a Statement of Total Recognised Gains and Losses is not provided.

All operations are from continuing activities.

LAND ENGINEERING (SCOTLAND) LIMITED

BALANCE SHEET 31 August 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible fixed assets	7	2,900	2,174
CURRENT ASSETS			
Stocks	8	30	30
Debtors	9	10,607	7,618
Cash at bank and in hand		1,452	420
		12,089	8,068
CREDITORS: amounts falling due within one year	10	(11,715)	(7,917)
NET CURRENT ASSETS		374	151
TOTAL ASSETS LESS CURRENT LIABILITIES		3,274	2,325
CREDITORS: amounts falling due after more than one year	11	(732)	(281)
PROVISIONS FOR LIABILITIES	12	(24)	(26)
NET ASSETS		2,518	2,018
CAPITAL AND RESERVES			
Called up share capital	14	5	5
Other reserves	15	5	5
Profit and loss account	16	2,508	2,008
SHAREHOLDERS' FUNDS	17	2,518	2,018

The accompanying notes form an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 30 June 2009.

Signed on behalf of the Board of Directors



John N Macdonald
Director

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below and have been applied consistently in the current and preceding year.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provisions for impairment. Depreciation is provided on all fixed assets at rates calculated to write off their cost less any residual value over their estimated useful lives at the following annual rates:

Motor vehicles	25% straight line
Plant and machinery	15% straight line
Fixtures and fittings	20% straight line

Leases and hire purchase contracts

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Cash flow statement

No cash flow statement has been prepared in accordance with the exemption conferred by Financial Reporting Standard No 1 'Cash Flow Statements' (Revised 1996), as the company is part of a group. A cash flow statement is incorporated in the consolidated financial statements of Land Engineering Group Holdings Limited, the ultimate parent company.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the taxation rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxation assessments in periods different from those in which they are recognised in the financial statements.

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

A net deferred taxation asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to taxation only if and when the replacement assets are sold.

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on a non-discounted basis.

Pension costs

The company operates a defined contribution scheme. The charge for pension costs in the year is the contributions payable to the pension scheme in respect of the accounting period.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of value added tax.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the United Kingdom market.

2. OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is stated after charging /(crediting):		
Staff costs (note 3)	8,662	7,418
Depreciation of tangible fixed assets:		
Owned assets	592	555
Assets under finance leases and hire purchase contracts	302	243
Auditors' remuneration:		
Company audit fees	10	14
Other services	8	7
Gain on sale of fixed assets	(55)	(63)

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2008

3. DIRECTORS AND EMPLOYEES

	2008 £'000	2007 £'000
Staff costs		
Wages and salaries	7,996	6,862
Social security costs	647	539
Pension costs	19	17
	<u>8,662</u>	<u>7,418</u>

	2008 No.	2007 No.
Average monthly number employed including executive directors:		
Labourers	<u>402</u>	<u>345</u>

Directors

The directors received remuneration for their services through the company's immediate parent undertaking, Land Engineering Limited, and the ultimate parent undertaking and their remuneration is disclosed in the financial statements of those companies. It is not practical to make an apportionment of amounts paid in respect of services to individual companies within the group.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Bank interest receivable	70	47
Other interest receivable	7	5
	<u>77</u>	<u>52</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Hire purchase interest	<u>76</u>	<u>76</u>

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2008

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
Corporation taxation on profit on ordinary activities at 29.16% (2007 – 30%)	241	147
(Over) / under provision in earlier years	-	(7)
	<u>241</u>	<u>140</u>
Total current taxation		
Deferred taxation for the year	-	(21)
Adjustments to the estimated recoverable amounts of deferred taxation assets arising in previous years	2	(2)
	<u>2</u>	<u>(23)</u>
Total deferred taxation (note 12)		
Total tax charge	<u>243</u>	<u>117</u>

The taxation assessed for the year differs to that resulting from applying the standard rate of corporation taxation in the United Kingdom. The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	<u>743</u>	<u>406</u>
Taxation charge thereon at 29.16% (2007 - 30%)	217	122
Factors affecting charge for the year:		
Expenses not deductible for taxation purposes	26	2
Depreciation in excess of capital allowances	(2)	23
Prior year adjustment	-	(7)
	<u>241</u>	<u>140</u>

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2008

7. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 September 2007	2,412	1,630	527	4,569
Additions	792	648	195	1,635
Disposals	(136)	-	-	(136)
At 31 August 2008	<u>3,068</u>	<u>2,278</u>	<u>722</u>	<u>6,068</u>
Accumulated depreciation				
At 1 September 2007	1,237	814	344	2,395
Charge for the year	600	206	88	894
Disposals	(121)	-	-	(121)
At 31 August 2008	<u>1,716</u>	<u>1,020</u>	<u>432</u>	<u>3,168</u>
Net book value				
At 31 August 2008	<u>1,352</u>	<u>1,258</u>	<u>290</u>	<u>2,900</u>
At 31 August 2007	<u>1,175</u>	<u>816</u>	<u>183</u>	<u>2,174</u>

The net book value of fixed assets includes £1,686,000 (2007 - £1,230,000) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 2.

8. STOCKS

	2008 £'000	2007 £'000
Raw materials	<u>30</u>	<u>30</u>

9. DEBTORS

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	3,955	4,638
Amounts owed by fellow group undertakings	3,003	1,292
Amounts recoverable on contracts	3,163	1,323
Other debtors	296	-
Prepayments and accrued income	5	230
	<u>10,422</u>	<u>7,483</u>
Amounts falling due after more than one year:		
Loan to BDMR Property (note 18)	<u>185</u>	<u>135</u>
Total debtors	<u>10,607</u>	<u>7,618</u>

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	5,925	3,251
Amounts owed to group undertakings	1,451	466
Corporation taxation	219	147
Other taxes and social security	1,002	963
Payments received on account	1,541	1,694
Accruals and deferred income	851	726
Obligations under finance leases and hire purchase contracts (note 11)	726	670
	<u>11,715</u>	<u>7,917</u>

The company's bankers hold performance bonds of £945,000 (2007 - £1,406,000) in favour of certain third parties.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts	<u>732</u>	<u>281</u>

Total obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

	2008 £'000	2007 £'000
On demand or within one year (note 10)	726	670
Between two and five years	732	281
	<u>1,458</u>	<u>951</u>

Amounts owed under finance leases and hire purchase agreements are secured by the related assets and are fully repayable within five years.

12. PROVISIONS FOR LIABILITIES

	2007 £'000	Profit and loss account £'000	2008 £'000
Deferred taxation (notes 6 and 13)	<u>26</u>	<u>(2)</u>	<u>24</u>

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2008

13. DEFERRED TAXATION

	2008 £'000	2007 £'000
Corporation taxation deferred by:		
Capital allowances in excess of depreciation	24	26
	<u>24</u>	<u>26</u>
The provision is based on a corporation taxation rate of 28% (2007 – 28%).		

14. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>
Allotted, called up and fully paid		
5,220 ordinary shares of £1 each	5	5
	<u>5</u>	<u>5</u>

15. OTHER RESERVES

	2008 £'000	2007 £'000
Capital redemption reserve	5	5
	<u>5</u>	<u>5</u>

16. PROFIT AND LOSS ACCOUNT

	£'000
At 1 September 2007	2,008
Profit for the year	500
	<u>2,508</u>
At 31 August 2008	<u>2,508</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the year and net addition to shareholders' funds	500	289
Opening shareholders' funds	2,018	1,729
	<u>2,518</u>	<u>1,729</u>
Closing shareholders' funds	<u>2,518</u>	<u>2,018</u>

LAND ENGINEERING (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8, Related Party Disclosures, in relation to intra-group transactions and balances eliminated on consolidation.

During the year, the company granted loans of £50,000 (2007 - £10,000) to BDMR Property, which is an entity under common control. As at the year end the total loan outstanding was £185,000 (2007 - £135,000). Interest is due on the loans at 3.5% per annum and the loans are repayable within 10 years of the receipt of the loans by the company. Interest of £7,000 (2007 - £5,000) was received during the year on these loans.

19. ULTIMATE PARENT UNDERTAKING

At 31 August 2008, the immediate parent company was Land Engineering Limited, a company registered in Scotland. The ultimate parent company was Land Engineering Group Holdings Limited, a company registered in Scotland. The largest and smallest group in which the results of Land Engineering (Scotland) Limited are consolidated is that headed by Land Engineering Group Holdings Limited. Copies of the consolidated financial statements are available from the company's registered office at 2 Blythwood Square, Glasgow, G2 4AD.