

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006
FOR
DAWN CONSTRUCTION LIMITED**

Registered Number: SC51129

DAWN CONSTRUCTION LIMITED

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FOR THE YEAR ENDED 31 JANUARY 2006**

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DAWN CONSTRUCTION LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 JANUARY 2006

CHAIRMAN	Alan G. Macdonald
MANAGING DIRECTOR	Ray A. Eve B.Sc., C.Eng., M.I.C.E
OTHER DIRECTORS	Alexander M. Kerr B.Sc. (Hons), M.C.I.O.B Stewart H. Rough L.L.B. (Hons), C.A. Gordon L. Thomson
SECRETARY	Stewart H. Rough L.L.B. (Hons), C.A.
REGISTERED OFFICE	Eldo House Monkton Road Prestwick Ayrshire KA9 2PB
REGISTERED NUMBER	SC51129
AUDITORS	McLay, McAlister & McGibbon Chartered Accountants 53 Bothwell Street Glasgow G2 6TS
BANKERS	Bank of Scotland 4th Floor New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN
SOLICITORS	McGrigor Donald Pacific House 70 Wellington Street Glasgow G2 6SB

DAWN CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2006

The directors present their report with the financial statements of the company for the year ended 31 January 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of general building contractors.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 January 2006.

FIXED ASSETS

Changes in fixed assets during the year are set out in note 8 to the accounts.

DIRECTORS

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31 st January 2006 Ordinary Shares	1 st February 2005 Ordinary Shares
Ordinary £1 shares		
Alan G. Macdonald	-	-
Alexander M. Kerr	195	195
Gordon L. Thomson	395	395
Ray A. Eve	-	-
Stewart H. Rough	-	-

In accordance with the Articles of Association, Ray A. Eve and Stewart H. Rough will retire at the forthcoming Annual General Meeting, and being eligible, will stand for re-election.

OFFICERS' INSURANCE

The company has purchased and maintained insurance to cover its officers against liabilities in relation to their duties to the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DAWN CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2006

AUDITORS

The auditors, McLay, McAlister & McGibbon, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

STEWART H. ROUGH
Secretary

Eldo House
Monkton Road
Prestwick
KA9 2PB

11 May 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
DAWN CONSTRUCTION LIMITED**

We have audited the financial statements of Dawn Construction Limited for the year ended 31 January 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 Report of the Directors 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 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 January 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

McLAY, McALISTER & McGIBBON
Registered Auditors
Chartered Accountants
53 Bothwell Street
Glasgow
G2 6TS

11 May 2006

DAWN CONSTRUCTION LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2006**

		2006		2005	
Notes	£	£	£	£	
TURNOVER	2	54,771,796		59,027,455	
Cost of sales		<u>49,458,259</u>		<u>53,686,980</u>	
GROSS PROFIT		5,313,537		5,340,475	
Administrative expenses		<u>3,200,471</u>		<u>2,961,286</u>	
OPERATING PROFIT	4	2,113,066		2,379,189	
Exceptional gain on sale of investment		<u>344,450</u>		<u>-</u>	
		2,457,516		2,379,189	
Income from participating interests		31,600		75,500	
Interest receivable and similar income	5	<u>481,384</u>		<u>473,378</u>	
		512,984		548,878	
		2,970,500		2,928,067	
Interest payable and similar charges	6	<u>94,040</u>		<u>251,385</u>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,876,460		2,676,682	
Tax on profit on ordinary activities	7	<u>835,834</u>		<u>800,438</u>	
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>2,040,626</u>		<u>1,876,244</u>	
RETAINED PROFIT FOR THE YEAR		<u><u>2,040,626</u></u>		<u><u>1,876,244</u></u>	

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

DAWN CONSTRUCTION LIMITED

**BALANCE SHEET
31 JANUARY 2006**

		2006		2005	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	8		159,207		207,838
Investments	9		1,182,910		1,508,460
			1,342,117		1,716,298
CURRENT ASSETS					
Stocks	10	825,226		1,464,678	
Debtors	11	10,065,273		9,384,086	
Cash at bank and in hand		8,267,969		5,296,120	
			19,158,468		16,144,884
CREDITORS					
Amounts falling due within one year	12	15,363,223		14,757,676	
			3,795,245		1,387,208
NET CURRENT ASSETS					
			5,137,362		3,103,506
TOTAL ASSETS LESS CURRENT LIABILITIES					
			-		6,770
CREDITORS					
Amounts falling due after more than one year	13		-		6,770
NET ASSETS					
			5,137,362		3,096,736
CAPITAL AND RESERVES					
Called up share capital	16		15,800		15,800
Profit and loss account	17		5,121,562		3,080,936
SHAREHOLDERS' FUNDS					
	21		5,137,362		3,096,736

The financial statements on pages 5 to 13 were approved by the board of directors on 11 May 2006.

ALAN G. MACDONALD
Director

STEWART H. ROUGH
Director

DAWN CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No. 1 (Revised 1996) on the grounds that it is a subsidiary undertaking the cash flows of which are included in the consolidated financial statements of the holding company, outlined at note 18.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities stated net of value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and equipment	- over five years
Motor vehicles	- over four years
Office equipment	- between four and ten years

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress consists of all land and building project costs on property developments held for eventual resale. The cost of work in progress includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal. Profit on development sales is recognised on completion of the sale of individual properties.

Deferred tax

The charge for taxation is based on the profit for the year as adjusted for tax purposes. Full provision is made at current rates for taxation deferred in respect of all timing differences, on a non-discounted basis.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Pensions -

Defined contribution schemes

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Long term contracts

Amounts recoverable on contracts are stated at cost plus attributable profit taken up as a proportion of the work carried out to date, if the final outcome can be assessed with reasonable certainty, and after provision for any known or anticipated losses.

Payments on account of contracts are deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors.

Costs incurred in excess of amounts transferred to cost of sales are included in long term contracts.

Fixed asset investments

These are stated at the lower of cost or directors' valuation. Provisions are made where necessary to reflect any permanent impairment in value.

DAWN CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company. The whole turnover is attributable to the UK market.

3. STAFF COSTS

	2006	2005
	£	£
Wages and salaries	506,291	831,892
Social security costs	45,898	73,303
Pension	<u>13,130</u>	<u>12,114</u>
	<u><u>565,319</u></u>	<u><u>917,309</u></u>

The average monthly number of directly employed including executive directors (remunerated by the parent company)

	Number	Number
Weekly production staff	23	40
Executive directors	<u>5</u>	<u>5</u>
	<u><u>28</u></u>	<u><u>45</u></u>

Directors' emoluments:

	£	£
Money purchase pension contributions	<u>13,130</u>	<u>12,114</u>

The directors and monthly paid personnel are all remunerated by the parent company.

The company contributes to a number of defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £13,130 (2005 - £12,114). No contributions were payable to the funds at 31 January 2006 (2005 - £nil).

All directors are accruing pension benefits under money purchase schemes.

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2006	2005
	£	£
Hire of plant and machinery	1,303,839	1,314,555
Depreciation - owned assets	93,698	146,610
Depreciation - assets on hire purchase contracts	10,831	10,831
Loss/(Profit) on disposal of fixed assets	699	(1,920)
Auditors' remuneration	<u>17,400</u>	<u>16,230</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006

5.	INTEREST RECEIVABLE AND SIMILAR INCOME	2006 £	2005 £
	Deposit account interest	393,648	406,805
	Group interest receivable	20,257	-
	Other interest	1,234	11,111
	Loan stock interest	66,245	55,462
	Investment income	<u>31,600</u>	<u>75,500</u>
		<u>512,984</u>	<u>548,878</u>
6.	INTEREST PAYABLE AND SIMILAR CHARGES	2006 £	2005 £
	Bank interest	-	2,862
	Group loan interest	92,796	247,279
	Hire purchase	<u>1,244</u>	<u>1,244</u>
		<u>94,040</u>	<u>251,385</u>
7.	TAXATION		
	Analysis of the tax charge		
	The tax charge on the profit on ordinary activities for the year was as follows:		
		2006 £	2005 £
	Current tax:		
	UK corporation tax	832,200	784,000
	Under provision in earlier years	<u>3,634</u>	<u>16,438</u>
	Tax on profit on ordinary activities	<u>835,834</u>	<u>800,438</u>
	Factors affecting the tax charge		
	The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:		
		2006 £	2005 £
	Profit on ordinary activities before tax	<u>2,876,460</u>	<u>2,676,682</u>
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	862,938	803,005
	Effects of:		
	Exemption and indexation on gain	(15,735)	-
	Income not taxable	(9,480)	(22,650)
	Expenses not deductible for tax purposes	5,355	8,071
	Capital allowances for period in excess of depreciation	(10,878)	(4,426)
	Adjustments to tax charge in respect of prior period	3,634	16,438
	Group relief claim	(303,560)	-
	Group relief payment	303,560	-
	Losses utilised	<u>-</u>	<u>(628,000)</u>
	Current tax charge	835,834	172,438
	Deferred tax – reversal of timing differences	<u>-</u>	<u>628,000</u>
		<u>835,834</u>	<u>800,438</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 February 2005	905,783	124,008	1,029,791
Additions	59,578	-	59,578
Disposals	<u>-</u>	<u>(51,879)</u>	<u>(51,879)</u>
At 31 January 2006	<u>965,361</u>	<u>72,129</u>	<u>1,037,490</u>
DEPRECIATION			
At 1 February 2005	715,663	106,290	821,953
Charge for year	93,214	11,315	104,529
Eliminated on disposal	<u>-</u>	<u>(48,199)</u>	<u>(48,199)</u>
At 31 January 2006	<u>808,877</u>	<u>69,406</u>	<u>878,283</u>
NET BOOK VALUE			
At 31 January 2006	<u>156,484</u>	<u>2,723</u>	<u>159,207</u>
At 31 January 2005	<u>190,120</u>	<u>17,718</u>	<u>207,838</u>

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

	Plant and machinery £
COST	
At 1 February 2005 and 31 January 2006	<u>54,153</u>
DEPRECIATION	
At 1 February 2005	21,662
Charge for year	<u>10,831</u>
At 31 January 2006	<u>32,493</u>
NET BOOK VALUE	
At 31 January 2006	<u>21,660</u>
At 31 January 2005	<u>32,491</u>

9. FIXED ASSET INVESTMENTS

	Subsidiary undertaking £	Other investments £	Unlisted investments £
COST			
At 1 February 2005	325,550	1,182,910	1,508,460
Disposals	<u>(325,550)</u>	<u>-</u>	<u>(325,550)</u>
At 31 January 2006	<u>-</u>	<u>1,182,910</u>	<u>1,182,910</u>
NET BOOK VALUE			
At 31 January 2006	<u>-</u>	<u>1,182,910</u>	<u>1,182,910</u>
At 31 January 2005	<u>325,550</u>	<u>1,182,910</u>	<u>1,508,460</u>

DAWN CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006

9. **FIXED ASSET INVESTMENTS - continued**

The company's investments at the balance sheet date in the share capital of companies include the following:

Name of Company	Nature of business	Class of shares	% Shareholding
Ayrshire Hospitals Ltd	Provision of Hospital Building	Ordinary	32.5
KE Project Ltd	Provision of College Campus	Ordinary	10
LH Project Ltd	Provision of Hospital Building	Ordinary	10
CH Bolton (Holdings) Ltd	Investment Holding	Ordinary	20

The directors consider that the company is exempt from the obligation to prepare and deliver group accounts in accordance with s228(2) Companies Act 1985 as the company is itself a subsidiary undertaking. Accordingly the financial statements present information about the company as an individual undertaking and not as a group. Details of the parent undertaking which draws up the group financial statements are shown at note 18.

10. **STOCKS**

	2006 £	2005 £
Stocks	1,800	1,800
Work-in-progress	<u>823,426</u>	<u>1,462,878</u>
	<u>825,226</u>	<u>1,464,678</u>

Work in progress comprises costs on property developments held for eventual resale. There are no payments to account on these balances

11. **DEBTORS:**

	2006 £	2005 £
Amounts falling due within one year:		
Trade debtors	7,116,990	5,886,491
Amounts recoverable on contracts	449,017	844,154
Other debtors	1,163,775	16,284
Amounts owed by group undertakings	280,585	791,461
Amounts owed by associated undertakings	954,811	1,585,374
Prepayments and accrued income	100,095	95,971
Corporation tax	-	164,351
	<u>10,065,273</u>	<u>9,384,086</u>

12. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006 £	2005 £
Hire purchase contracts (see note 14)	6,771	16,246
Payments on account	1,102,090	1,187,016
Trade creditors	12,331,831	12,332,740
Tax	466,640	-
Social security and other taxes	47,080	177,256
Other creditors	11,074	8,137
Amounts owed to group undertakings	413,314	266,257
Accruals and deferred income	<u>984,423</u>	<u>770,024</u>
	<u>15,363,223</u>	<u>14,757,676</u>

DAWN CONSTRUCTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006

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

	2006	2005
	£	£
Hire purchase contracts (see note 14)	-	<u>6,770</u>

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2006	2005
	£	£
Net obligations repayable:		
Within one year	6,771	16,246
Between one and five years	-	<u>6,770</u>
	<u>6,771</u>	<u>23,016</u>

15. SECURED DEBTS

The company has a bank overdraft facility secured by a floating charge over the company's assets together with cross guarantees without limit granted by the company's parent, ultimate parent and fellow subsidiaries.

16. CALLED UP SHARE CAPITAL

Authorised:					
Number:	Class:	Nominal value:	2006	2005	
			£	£	
20,000	Ordinary	£1	<u>20,000</u>	<u>20,000</u>	
Number:	Class:	Nominal value:	2006	2005	
			£	£	
15,800	Ordinary	£1	<u>15,800</u>	<u>15,800</u>	

17. RESERVES

		Profit and loss account £
At 1 February 2005		3,080,936
Retained profit for the year		<u>2,040,626</u>
At 31 January 2006		<u>5,121,562</u>

18. ULTIMATE PARENT COMPANY

The directors consider Pacific Shelf (1117) Ltd, a company registered in Scotland, to be the ultimate holding company.

The director Alan G. Macdonald held 100% of the issued ordinary share capital of this company throughout the accounting period.

19. CONTINGENT LIABILITIES

(i) The company has granted guarantees without limit to the Bank of Scotland in respect of advances by way of overdraft and loan to other group companies. The total sums advanced at 31 January 2006 were £16,664,687 (2005 - £30,922,420). However at that date there were group funds in hand of £7,781,383 (2005 - £6,956,765).

(ii) In the normal course of business the company provides performance bonds in respect of its contractual obligations.

DAWN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2006

20. RELATED PARTY DISCLOSURES

As provided within FRS 8, transactions with entities, 90% or more of whose voting rights are controlled within the same group, are not disclosed.

The balance owed to the company by St Vincent Street (346) Limited at the balance sheet date is £118,569.

The company made sales of £2,843,414 (2005 - £842,021) to its associated company, Western Meeting Club Limited, in respect of a building contract entered on normal terms. The balance owed to the company at the balance sheet date is £200,039. The balance owed by the company at the balance sheet date is £7,191.

The company made sales of £9,274,256 (2005 - £3,143,033) to its associated company, Ayrshire Hospitals Limited, in respect of a building contract entered on normal terms. The balance owed to the company at the balance sheet date is £564,492.

The company made sales of £438,872 (2005 - £387,011) to its associated company KE Project Limited, in respect of a facilities management contract entered on normal terms. The company received interest of £10,379 (2005 - £9,458), in respect of loan stock held and received dividends of £16,600 (2005 - £28,000). The balance owed to the company at the balance sheet date is £35,410.

The company made sales of £127,393 (2005 - £118,825) to its associated company LH Project Limited, in respect of a facilities management contract entered on normal terms. The company received interest of £14,218 (2005 - £12,956) in respect of loan stock held and received dividends of £15,000 (2005 - £47,500). The balance owed to the company at the balance sheet date is £10,351.

The company made sales of £674,934 (2005 - £1,622,740) to its associated company CH Bolton Limited, in respect of a facilities management contract entered on normal terms. The balance owed to the company at the balance sheet date is £33,141.

The above companies are associated by virtue of common directorships.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Profit for the financial year	<u>2,040,626</u>	<u>1,876,244</u>
Net addition to shareholders' funds	2,040,626	1,876,244
Opening shareholders' funds	<u>3,096,736</u>	<u>1,220,492</u>
Closing shareholders' funds	<u><u>5,137,362</u></u>	<u><u>3,096,736</u></u>
Equity interests	<u>5,137,362</u>	<u>3,096,736</u>