Robertson Construction Highland Limited

Directors' report and financial statements

Registered number SC327968

26 March 2010

Contents

Company information

Directors	W G Robertson R G Mutch
Secretary	W Wallington
Company number	SC327968
Registered office	10 Perimeter Road Elgin IV30 6AE
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	The Royal Bank of Scotland plc 5th Floor, Kirkstane House 139 St Vincent Street Glasgow G2 5JF
Solicitors	The Commercial Law Practice Commercial House 2 Rubislaw Terrace Aberdeen AB10 1XE

Directors' report

The directors present their annual report and the audited financial statements for the 16 month period ended 26 March 2010.

Principal activity

The principal activity of the company during the period was that of construction.

Business Review

It has been a challenging period of trading for the company with a number of projects either not coming to fruition or being delayed. Turnover in the period increased marginally to £11,649,000 from £10,954,000 in 2008. The company declared a pre-tax loss of £553,000 *(2008: £41,000)*. The company is not in a position to pay a dividend.

Net liabilities at the period end were £415,000 compared with £31,000. The company continues to rely on the support of its parent company to provide the funding required to meet its working capital requirements.

Despite the current economic climate, business prospects and activity levels have improved and the company is working on a number of contracts which are delivering good margin levels.

Principal risks and uncertainties affecting the business

The principal risks and uncertainties affecting the business are varied and include the following:

- Macro-economic factors affecting the whole of the Construction industry and the wider economy at this time. The effects of the recession have been particularly marked in the Construction sector, with delays to or cancellation of some expected projects as well as greater price competition for the new work that is available.
- Effect of legislation or other regulatory activities. The company continually monitors all forthcoming and current legislation and guidelines to ensure it fully complies with all necessary requirements.
- Construction risk. The company places considerable emphasis on front end controls and ongoing project diligence in an attempt to minimise construction risk.

Key areas of strategic development

Key areas of strategic development and performance of the company include:

- Health and safety
- Environment
- Investment in and development of our people

Key performance indicators

Key financial performance indicators include the monitoring of working capital, turnover and margin at both the gross and net level. These are monitored monthly against budgets.

Key financial performance indicators

		2010 16 months	2008 12 months	Measure
Gross margin	%	**3.4**	4.6	Gross margin/Turnover
Net margin	%	**(4.7)**	(0.4)	Loss before tax/Turnover
Sales per employee	£000	**506**	358.4	Turnover/Ave no employees
Operating loss per employee	£000	**24.7**	2.1	Operating loss/Ave no employees

Key non-financial performance indicators include the monitoring of health and safety and quality.

Directors' report *(continued)*

Directors

The directors who held office during the period and to the date of this report are as follows:

W G Robertson
S Lyon (Resigned 31 March 2009)
R G Mutch

Political and charitable donations

The company made no political contributions during the period. Donations to UK charities amounted to £200 (*2008: £2,125*).

Employees

During the period the policy of providing employees with general information continued. Relevant information is supplied at the discretion of management, when considered appropriate.

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing employees and those who have become disabled during the period, the group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Equal opportunities are given to all employees for training, career development and promotion. The company involves employees in matters affecting terms and conditions of employment. Induction courses are run for new employees.

Subsequent events

Following discussions between the directors and shareholders a decision was taken to re-merge Robertson Construction Group Limited, together with its subsidiary companies including this company, into the holding group for Robertson companies. This transaction was completed with effect from 6 May 2010 and the company's ultimate parent company is now Robertson Group (Holdings) Limited. There is no change to the ultimate shareholders who remain as Mr & Mrs WG Robertson.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

R G Mutch
Director

23 December 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of Robertson Construction Highland Limited

We have audited the financial statements of Robertson Construction Highland Limited for the 16 month period ended 26 March 2010 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2010 and of its loss for the 16 month period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

L Bennett

L Bennett (Senior Statutory Auditor) 23 December 2010
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Profit and loss account
for the 16 month period ended 26 March 2010

	Note	26 March 2010 £000	30 November 2008 £000
Turnover	*2*	**11,649**	10,954
Cost of sales		**(11,252)**	(10,449)
Gross profit		**397**	505
Administrative expenses		**(966)**	(569)
Operating loss		**(569)**	(64)
Interest receivable from related parties		**16**	23
Loss on ordinary activities before taxation	*3*	**(553)**	(41)
Tax on loss on ordinary activities	*5*	**151**	10
Loss for the financial period	*10*	**(402)**	(31)

There are no recognised gains and losses other than as reported above.

The loss for the financial period has been derived from continuing activities.

Balance sheet
at 26 March 2010

	Note	26 March 2010 £000	2010 £000	30 November 2008 £000	2008 £000
Fixed assets					
Tangible assets	*6*		**32**		49
Current assets					
Debtors	*7*	**3,593**		2,480	
Cash at bank and in hand		**1,216**		721	
		4,809		3,201	
Creditors: amounts falling due within one year	*8*	**(5,274)**		(3,281)	
Net current liabilities			**(465)**		(80)
Net liabilities			**(433)**		(31)
Capital and reserves					
Called up share capital	*9*		**-**		-
Profit and loss account	*10*		**(433)**		(31)
Shareholders' deficit	*11*		**(433)**		(31)

These financial statements were approved by the Board of directors on 23 December 2010 and are signed on its behalf by:

W G Robertson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

As the company is a wholly owned subsidiary of Robertson Construction Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Robertson Construction Group Limited, within which this company is included, can be obtained from the address given in note 16.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Going concern

Notwithstanding the net liabilities at the period end the financial statements are prepared on the going concern basis for the following reasons.

The company's day to day working capital requirements are provided by its parent undertaking, Robertson Group (Holdings) Limited. The directors of this company have indicated that they will continue to provide such funds as are necessary to enable Robertson Construction Central Limited to continue to trade and to meet its liabilities as they fall due. As with any company placing reliance on other related companies for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The company is party to a group banking facility with its parent company, Robertson Construction Group Limited, and certain fellow subsidiaries as well as a group under common shareholder control, Robertson Group (Holdings) Limited. The directors have prepared detailed cash flow forecasts for the group and the company for the period through to 31 December 2011 and summarised forecasts for the two year period thereafter. The group's banking facilities are subject to compliance with certain covenants relating to profit and interest, asset values, net assets and certain other conditions. These covenants are sensitive to changes in key assumptions including construction volumes and margins, asset valuations and interest charges. In preparing their forecasts the directors have taken account of the unusual circumstances prevailing in the economy at the current time and recognise that the current difficult economic climate creates uncertainty over the timing and amount of realisation of cash flows. In addition the cross guarantees between the group and Robertson Group (Holdings) Limited in respect of their banking facilities expose the group to the requirements of Robertson Group (Holdings) Limited's banking facilities which are set out in that company's financial statements and to compliance with a covenant based on the total assets of the combined groups.

While the directors cannot envisage all possible circumstances that may impact the group in the future, the directors believe that, taking account of reasonably possible adverse movements in, inter alia, construction volumes and margins, interest rates and asset values, and after receipt of the covenant waivers described below, the group has sufficient resources available to it to ensure continued compliance with the relevant bank covenants and conditions.

Fellow subsidiary company going concern and impact on Group covenants

A fellow subsidiary, South Shore Developments Limited ('SSDL'), has a term loan facility with Bank of Scotland which is due to expire in December 2010. The directors of the subsidiary company have commenced negotiations with the bank to renew the facility but to date they have not reached agreement for a renewal on acceptable terms. In particular the bank has requested a reduction in the loan to value ratio to 60% based on the recently obtained valuation which would require alternative funding to meet the shortfall in the borrowing requirement. Bank of Scotland has currently granted an extension to the loan to 26 February 2011. On the basis of current discussions the

Notes *(continued)*

1 Accounting policies *(continued)*

***Going concern** (continued)*

directors believe that renewal will be negotiated on acceptable terms however there can be no certainty that this will be the case.

In the event the SSDL facility is not further extended or renegotiated on a basis that enables the company to continue to operate within its cash flow forecasts, the shareholders have not indicated they will provide continued support and therefore there is a risk the entity will be put into administration. The group's banking facilities, with the Royal Bank of Scotland, list the administration of a subsidiary as an event of default. On 23 December 2010 the Royal Bank of Scotland agreed a variation to the covenant to exclude SSDL and therefore the administration of SSDL would not be considered an event of default under the facility.

At March 2010 SSDL wrote down its development property to its market value (based on an independent external valuation). This resulted in an impairment charge of £7.1m being recognised. As a result of this impairment charge the groups' profit before tax covenant would be breached at 31 December 2010. The Royal Bank of Scotland provided a waiver for this breach to 31 December 2010 on 16 November 2010 and to 31 December 2011 on 23 December 2010.

Based on the above, the directors do not believe the material uncertainty around the going concern of SSDL will affect the going concern of the group and company. The directors therefore consider that the company will be able to continue to meet its obligations as they fall due and continue as a going concern for at least the next 12 months.

Turnover

Turnover represents the value of work performed and goods and services supplied by the company during the period and excludes VAT.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery - 3 to 11 years

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company contributes to company personal pension plans for employees who also undertake to contribute, the costs of which are charged to the profit and loss account as they become payable. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Development expenditure

Pre-contract costs are expensed as incurred until the company is appointed as sole preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in debtors.

Where pre-contract bid costs that have been recognised as an asset are reimbursed at financial close both the income and the asset are released to the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Payments on account received in excess of turnover recognised are included in creditors.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Loss on ordinary activities before taxation

	26 March 2010 £000	30 November 2008 £000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation: owned assets	**31**	18
Operating lease rentals		
- land and buildings	**42**	42
- other assets	**28**	11

All audit fees are payable by the parent company, Robertson Construction Group Limited.

Notes *(continued)*

4 Staff numbers and costs

The average number of employees employed by the company (including directors) during the period, analysed by category, was as follows:

	26 March 2010 Number	30 November 2008 Number
Construction	**15**	22
Administration	**8**	9
	23	31

The aggregate payroll costs of these persons were as follows:

	26 March 2010 £000	30 November 2008 £000
Wages and salaries	**1,290**	1,237
Social security costs	**142**	128
Other pension costs	**54**	24
	1,486	1,389

None of the directors received any emoluments from the company. They are all directors either of the parent company, Robertson Construction Group Limited or Robertson Group Limited, or both, and their emoluments are disclosed in those financial statements.

5 Taxation

	26 March 2010 £000	30 November 2008 £000
UK corporation tax		
Group relief receivable	**(151)**	(9)
Total current tax	**(151)**	(9)
Deferred tax – origination / reversal of timing differences	**-**	1
Total tax on loss on ordinary activities	**(151)**	10

Notes *(continued)*

5 Taxation *(continued)*

Factors affecting the tax charge for the current period.
The current tax credit for the period is equal to (*2008: lower than*) the standard rate of corporation tax in the UK of 28% (*2008: 28.8%*) as explained below.

	26 March 2010 £000	30 November 2008 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(553)**	(41)
Current tax at 28.0% (*2008: 28.8%*)	**(151)**	(11)
Effects of:		
Expenses not deductible for tax purposes	-	1
Depreciation for period in excess of capital allowances	-	1
Total current tax credit	**(151)**	(9)

6 Tangible fixed assets

	Plant and machinery £000
Cost	
At beginning of period	67
Additions	14
At end of period	81
Depreciation	
At beginning of period	18
Charge for the period	31
At end of period	49
Net book value	
At 26 March 2010	**32**
At 30 November 2008	49

Notes *(continued)*

7 Debtors

	26 March 2010 £000	31 March 2008 £000
Trade debtors	**878**	1,001
Amounts recoverable on long term contracts	**1,983**	1,002
Amounts owed by group undertakings	**-**	9
Amounts owed by related party	**564**	442
Other debtors	**-**	2
Group relief receivable	**151**	9
Prepayments and accrued income	**16**	14
Deferred tax (see below)	**1**	1
	3,593	2,480

Debtors includes amounts recoverable on long term contracts of £87,000 (*2008: £92,000*) due after more than one year.

Deferred taxation

	£000
At beginning and end of period	1

The deferred tax asset relates to short-term timing differences.

8 Creditors: amounts falling due within one year

	26 March 2010 £000	30 November 2008 £000
Trade creditors	**731**	379
Payments received on account	**510**	358
Amounts due to group undertakings	**2,208**	2,213
Amounts owed to related party	**504**	-
Other taxation and social security	**177**	82
Other creditors	**9**	-
Accruals and deferred income	**1,135**	249
	5,274	3,281

9 Called up share capital

	26 March 2010 £	30 November 2008 £
Authorised		
100,000 Ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
1 Ordinary share of £1 each	**1**	1

Notes *(continued)*

10 Reserves

	Profit and loss account £000
At beginning of period	(31)
Loss for the financial period	(402)
At end of period	**(433)**

11 Reconciliation of movements in shareholders' deficit

	26 March 2010 £000	30 November 2008 £000
Loss for the financial period	**(402)**	(31)
Opening shareholders' deficit	**(31)**	-
Closing shareholders' deficit	**(433)**	(31)

12 Contingent liabilities and contractual disputes

At the period-end there were contingent liabilities in respect of guarantees and claims under contracts entered into in the normal course of business. Further, included within Debtors: amounts recoverable on long-term contracts are certain amounts that are the subject of ongoing disputes with customers. The directors are of the opinion that adequate provision has been made in respect of ongoing claims and disputes at the period-end.

The company has entered into cross guarantees with the bank that provides borrowing facilities to the Robertson Companies that are under the common control of its shareholders. At 26 March 2010, the total contingent liability in respect of these borrowings was £60,284,000 *(2008: £80,569,000)*. The bank holds floating charges in respect of certain other assets of the company.

13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Others	
	26 March 2010 £000	30 November 2008 £000	26 March 2010 £000	30 November 2008 £000
On leases which expire:				
Within one year	-	-	**5**	2
Between two and five years	**42**	42	**21**	20
	42	42	**26**	22

14 Pension costs

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable to the scheme and amounted to £54,000 (*2008: £24,000*).

Notes *(continued)*

15 Related party transactions

During the period the group made sales of £797,000 to companies under the ownership of Robertson Group (Holdings) Limited, a company under common control. At the period end, £564,000 was due from and £504,000 was due to these companies.

Transactions between the company and other members of the Robertson Construction Group and balances between members of that group are eliminated on consolidation of the Robertson Construction Group accounts.

16 Ultimate parent company

With effect from 6 May 2010 the company is a subsidiary undertaking of Robertson Group (Holdings) Limited, incorporated in Scotland and controlled by W G Robertson. The largest and smallest group in which the results of the company are consolidated for 2010 is that headed by Robertson Construction Group Limited, incorporated in Scotland and controlled by W G Robertson. The consolidated accounts are available to the public and may be obtained from Robertson Construction Group Limited, 10 Perimeter Road, Elgin, IV30 6AE.