

HARGREAVES CONSTRUCTION COMPANY LIMITED

REGISTERED NUMBER: 901310

DIRECTORS REPORT AND ACCOUNTS

31 DECEMBER 1994

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MOORE
REVISED

HARGREAVES CONSTRUCTION COMPANY LIMITED

DIRECTORS REPORT

The directors submit their report and the accounts for the year ended 31 December 1994.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare accounts on the going concern basis unless it is inappropriate to presume 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 the accounts 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company during the year were building, management of property developments and the management of property.

House building activity was at a slightly lower level than in the previous year. Although that trend has already reversed in 1995, it is difficult to find any real evidence of any underlying strengthening of the market. A reassessment of management charges to other group companies has resulted in a return to overall profitability. In the circumstances, the directors are satisfied with the company's trading during the year.

DIVIDENDS AND APPROPRIATIONS

The directors are unable to recommend the payment of a dividend, leaving £717,652 to be added to reserves.

DIRECTORS

The directors of the company, and the number of shares in which they had an interest, were:

	Ordinary shares of £1 each	
	31 December 1994	1 January 1994
N.H. Andrew	-	-
Mrs R. Andrew	-	-
J. Hazelwood	-	-

The director retiring by rotation is N.H. Andrew, who being eligible, offers himself for re-election.

Yours
Sincerely
N.H. Andrew

HARGREAVES CONSTRUCTION COMPANY LIMITED

DIRECTORS REPORT

All the directors were also directors of the ultimate parent company, Hargreaves Property Holdings Limited, and their interests in the shares of that company are disclosed in its own annual accounts.

FIXED ASSETS

Movements in fixed assets are shown in the notes to the accounts.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Moores Rowland as auditors.

On behalf of the board



N.H. Andrew
Director

25 October 1995

AUDITORS REPORT TO THE MEMBERS OF
HARGREAVES CONSTRUCTION COMPANY LIMITED

We have audited the accounts on pages 4 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MOORES ROWLAND
Chartered Accountants
Registered Auditors

BRIGHTON

25 October 1995

HARGREAVES CONSTRUCTION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1994

	Note	1994 £	1993 £
TURNOVER	2	2,305,677	2,602,767
Change in stocks of finished goods and work in progress		1,090,871	309,663
		<u>3,396,548</u>	<u>2,912,430</u>
Other income		1,174,347	729,990
		<u>4,570,895</u>	<u>3,642,420</u>
Raw materials and consumables		(2,610,590)	(2,185,141)
		<u>1,960,305</u>	<u>1,457,279</u>
Staff costs	3	(592,965)	(786,407)
Depreciation		(118,781)	(123,873)
Other operating charges		(481,103)	(572,216)
		<u>767,456</u>	<u>(25,217)</u>
OPERATING PROFIT			
Interest receivable		1,328	5,671
Interest payable	4	(51,132)	(284,283)
		<u>1,328</u>	<u>(278,612)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		717,652	(303,829)
Tax on profit on ordinary activities	5	—	944,847
		<u>—</u>	<u>944,847</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		717,652	641,018
Deficit at 31 December 1993		(1,205,658)	(1,846,676)
DEFICIT AT 31 DECEMBER 1994		<u>(488,006)</u>	<u>(1,205,658)</u>

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit for the year.

BALANCE SHEET
31 December 1994

Approved by the Board on 25 October 1995
and signed on its behalf by:

5

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The annual accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The annual accounts have been prepared on the basis of the company being a going concern as the holding company has agreed to provide sufficient support so as to meet the company's liabilities as they fall due.

CORRESPONDING AMOUNTS

Certain of the figures disclosed in the Profit and Loss Account have been re-analysed to ensure that they are comparable with the current year figures.

TURNOVER

Turnover represents the amount receivable by the company exclusive of value added tax.

DEPRECIATION OF TANGIBLE FIXED ASSETS

(a) Motor vehicles, plant and furniture and equipment

Depreciation is provided on a basis calculated to write off the cost of each asset over its estimated useful life.

(b) Freehold and long leasehold premises

The directors consider that the lives of these assets are so long and residual values so high as to make depreciation unnecessary.

WORK IN PROGRESS

Work in progress is stated at direct cost plus attributable overheads, or net realisable value if lower. Net realisable value is determined by the directors.

STOCKS

Land held for resale at the end of the year has been carried forward as stock and valued at the lower of cost and net realisable value. Net realisable value is determined by the directors.

LONG TERM CONTRACTS

Long term contract work in progress is classified in the balance sheet as stocks stated at total costs incurred, net of amounts transferred to the profit and loss account in respect of work carried out to the balance sheet date. Full provision is made for any foreseeable losses.

Revenue which relates to work carried out to the balance sheet date including an appropriate proportion of foreseeable profit, is included in turnover. The amount by which turnover exceeds payments on account is classified within debtors and disclosed as "amounts recoverable on contracts".

DEFERRED TAXATION

Deferred taxation is calculated by the liability method and provision is made to the extent that it is probable a liability will crystallise.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

DEFERRED TAXATION

Deferred taxation is calculated by the liability method and provision is made to the extent that it is probable a liability will crystallise.

ASSETS HELD UNDER FINANCE LEASES

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets. The interest element of the lease payments is allocated so as to give a constant rate of charge.

PENSION COSTS

The company operates defined contribution pension schemes whereby the assets of the schemes are held separately from those of the company in independently administered funds. Contributions are charged to the profit and loss account as they are incurred.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities are attributable to the principal activity of the company.

Profit on ordinary activities is stated after charging:

	1994	1993
	£	£
Depreciation of owned fixed assets	107,173	125,608
Depreciation of fixed assets held under finance leases and hire purchase contracts	12,612	12,262
Directors emoluments	178,504	348,484
Auditors remuneration	17,400	14,250
	<u>1,004</u>	<u>13,997</u>
and after crediting:		
Profit on disposal of fixed assets	<u>1,004</u>	<u>13,997</u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

3 DIRECTORS AND EMPLOYEES

The average number of persons employed by the company during the year was:

1994 No.	1993 No.
23	27

Staff costs include:

	£	£
Wages and salaries	507,069	595,705
Social security costs	46,798	52,196
Pension costs	39,098	138,506
	<u>592,965</u>	<u>786,407</u>

The emoluments of the directors were:

	£	£
For services as executives	178,504	291,818
Compensation for loss of office	—	56,666
	<u>178,504</u>	<u>348,484</u>

The individual directors' emoluments, excluding pension contributions, were:

	£	£
The chairman	<u>81,465</u>	<u>53,454</u>
The highest paid director	<u>81,465</u>	<u>90,688</u>

Other directors in the ranges:

	No.	No.
£15,001 to £20,000	—	1
£25,001 to £30,000	1	—
£45,001 to £50,000	1	—
£55,001 to £60,000	—	1

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

4 INTEREST PAYABLE	1994 £	1993 £
Bank loans, overdrafts and other loans wholly repayable within five years:		
Finance leases and hire purchase contracts	1,823	6,774
By instalments	—	11,993
Otherwise than by instalments	49,309	185,885
	<u>51,132</u>	<u>204,652</u>
Bank and other loans not wholly repayable within five years	—	79,631
	<u>51,132</u>	<u>284,283</u>

5 TAX ON LOSS ON ORDINARY ACTIVITIES	1994 £	1993 £
Receipts for group relief based on the results for the year	—	(772,654)
Receipts for group relief in respect of prior year	—	(172,193)
	<u>—</u>	<u>(944,847)</u>

No corporation tax charge arises on the results for the year.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

6 TANGIBLE FIXED ASSETS

	Premises £	Furniture and equipment £	Motor vehicles £	Plant £	Total £
Cost					
At 1 January 1994	643,477	375,777	533,292	460,138	2,012,684
Additions	268,999	48,998	36,994	—	354,991
Disposals	(219,000)	(4,435)	(78,951)	(1,894)	(304,280)
At 31 December 1994	<u>693,476</u>	<u>420,340</u>	<u>491,335</u>	<u>458,244</u>	<u>2,063,395</u>
Depreciation					
At 1 January 1994	—	271,632	279,348	353,649	904,629
Charge for the year	—	30,446	63,679	25,660	119,785
Eliminated on disposals	—	(4,246)	(51,447)	(1,641)	(57,334)
At 31 December 1994	<u>—</u>	<u>297,832</u>	<u>291,580</u>	<u>377,668</u>	<u>967,080</u>
Net book value					
At 31 December 1994	<u>693,476</u>	<u>122,508</u>	<u>199,755</u>	<u>80,576</u>	<u>1,096,315</u>
At 31 December 1993	<u>643,477</u>	<u>104,145</u>	<u>253,944</u>	<u>106,489</u>	<u>1,108,055</u>

PREMISES

	Freehold premises £	Long leasehold premises £	Total £
Cost			
At 1 January 1994	424,477	219,000	643,477
Additions	268,999	—	268,999
Disposals	—	(219,000)	(219,000)
At 31 December 1994	<u>693,476</u>	<u>—</u>	<u>693,476</u>

The net book value of motor vehicles includes £37,851 (1993 — £36,765) in respect of assets held under hire purchase contracts and finance leases.

7 STOCKS

	1994 £	1993 £
Freehold land for resale	75,000	75,000
Long leasehold land for resale	350,000	350,000
Work in progress	2,306,951	1,216,080
	<u>2,731,951</u>	<u>1,641,080</u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

8 DEBTORS	1994 £	1993 £
Amounts falling due within one year		
Trade debtors	124,642	76,231
Amounts recoverable on contracts	219,466	103,766
Amounts owed by group undertakings	326,185	3,631,688
Corporation tax	112,000	112,000
Other debtors	33,881	24,287
Prepayments and accrued income	22,723	27,827
	<u>838,897</u>	<u>3,975,799</u>
Amounts falling due after more than one year		
Trade debtors	—	71,000
	<u>838,897</u>	<u>4,046,799</u>
9 CREDITORS - Amounts falling due within one year	1994 £	1993 £
Bank loans and overdrafts	7,684,081	4,934,942
Other loans	103,052	764,061
Trade creditors	286,529	136,511
Amounts owed to group undertakings	2,452,850	1,017,565
Obligations under finance leases and hire purchase contracts	12,306	32,680
Other taxes and social security	221,361	254,222
Directors' current accounts	34,083	82,512
Other creditors	653,378	536,340
Accruals and deferred income	442,351	325,202
	<u>11,889,991</u>	<u>8,084,035</u>

The bank loans and overdrafts are secured by fixed charges over assets of this and other group companies and by a floating charge over the assets of this company.

Notes
Row 5

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

10 CREDITORS - Amounts falling due after more than one year

	1994	1993
	£	£
Bank loans	4,340,000	3,130,000
Finance leases	17,452	3,400
	<u>4,357,452</u>	<u>3,133,400</u>

The bank loans carry variable interest rates and are repayable as follows:

Between 1-2 years - by instalments	590,000	612,000
Between 2-5 years - by instalments	1,500,000	1,362,000
	<u>2,090,000</u>	<u>1,974,000</u>
After 5 years - by instalments	2,250,000	1,156,000
	<u>4,340,000</u>	<u>3,130,000</u>

11 LEASE COMMITMENTS

Net obligations under finance leases and hire purchase contracts

	1994	1993
	£	£
Minimum payments due:		
Within one year	14,840	34,714
1-2 years	6,392	4,241
2-5 years	13,929	-
	<u>35,161</u>	<u>38,955</u>
Gross obligations	35,161	38,955
Less: charges allocated to future periods	(5,403)	(2,875)
	<u>29,758</u>	<u>36,080</u>

12 OTHER FINANCIAL COMMITMENTS

The company has entered into a guarantee in respect of any borrowings with Barclays Bank PLC, of ten group companies. The total of these borrowings with the bank of these ten other companies amounted to £11,639,833 at the balance sheet date.

Further, property costing £693,476 and a floating charge over the company's assets has been used as security for borrowings, of this company and its fellow group undertakings, with Barclays Bank PLC.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1994

13 PROVISIONS FOR LIABILITIES AND CHARGES

	1994 £	1993 £
Provisions for remedial works on contracts		
At 1 January 1994	233,826	228,126
Provided	4,188	5,700
	<u>238,014</u>	<u>233,826</u>
Provision for foreseeable losses on long-term contracts	103,646	114,238
	<u>341,660</u>	<u>348,064</u>
At 31 December 1994		

14 SHARE CAPITAL

	1994 £	1993 £
Authorised, allotted and fully paid: 2,200 Ordinary shares of £1 each	<u>2,200</u>	<u>2,200</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1994 £	1993 £
Profit on ordinary activities after taxation	717,652	641,018
Opening shareholders funds	<u>(1,203,458)</u>	<u>(1,844,476)</u>
Closing shareholders funds	<u>(485,806)</u>	<u>(1,203,458)</u>

16 ULTIMATE PARENT COMPANY

The directors consider that the ultimate parent company is Hargreaves Property Holdings Limited which is registered in England and Wales.