

HARGREAVES CONSTRUCTION COMPANY LIMITED

REGISTERED NUMBER: 901310

DIRECTORS REPORT AND ACCOUNTS

24 DECEMBER 1996

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HARGREAVES CONSTRUCTION COMPANY LIMITED

DIRECTORS REPORT

The directors submit their report and the accounts for the year ended 24 December 1996.

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 construction and management of property developments.

Both house building and commercial construction activity increased considerably over the previous year and the improvement is expected to be maintained in 1997. In the circumstances the directors are satisfied with the company's trading during the year.

DIVIDENDS AND APPROPRIATIONS

The directors do not recommend the payment of a dividend, leaving £877,561 to be added to reserves.

DIRECTORS

The directors of the company throughout the year were:

N.H. Andrew
Mrs R. Andrew
J. Hazelwood
R.R. Andrew (appointed 10/06/97)

No director had an interest in the shares of the company.

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.

HARGREAVES CONSTRUCTION COMPANY LIMITED

DIRECTORS REPORT

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



4th December 1997

AUDITORS REPORT TO THE MEMBERS OF
HARGREAVES CONSTRUCTION COMPANY LIMITED

We have audited the accounts on pages 4 to 15.

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

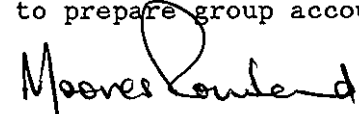
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 24 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled for the year ended 24 December 1996 to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts.



MOORES ROWLAND
Chartered Accountants
Registered Auditors

BRIGHTON

5 December 1997

HARGREAVES CONSTRUCTION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 24 December 1996

	Note	1996 £	1995 £
TURNOVER	2	5,468,201	3,464,291
Change in stocks of finished goods and work in progress		313,004	(33,448)
		<u>5,781,205</u>	<u>3,430,843</u>
Other income		1,072,674	825,423
		<u>6,853,879</u>	<u>4,256,266</u>
Raw materials and consumables		(4,729,415)	(2,708,321)
		<u>2,124,464</u>	<u>1,547,945</u>
Staff costs	3	(634,465)	(628,680)
Depreciation		(96,979)	(102,010)
Other operating charges		(333,390)	(301,539)
		<u>1,059,630</u>	<u>515,716</u>
OPERATING PROFIT			
Interest receivable		1,304	13,639
Interest payable	4	(183,373)	(424,589)
		<u>877,561</u>	<u>104,766</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	5	—	—
		<u>877,561</u>	<u>104,766</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Deficit at 24 December 1995		(383,240)	(488,006)
RETAINED PROFITS AT 24 DECEMBER 1996		<u>494,321</u>	<u>(383,240)</u>

All disclosures relate only to continuing operations.

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

HARGREAVES CONSTRUCTION COMPANY LIMITED

BALANCE SHEET 24 December 1996

	Note	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	6		1,091,723		1,089,822
Investments	7		2		2
			<u>1,091,725</u>		<u>1,089,824</u>
CURRENT ASSETS					
Stocks	8	3,011,507		2,698,503	
Debtors	9	3,131,727		5,916,093	
Cash at bank		<u>6,535,554</u>		<u>7,072,806</u>	
		12,678,788		15,687,402	
CREDITORS – amounts falling due within one year	10	<u>(9,650,565)</u>		<u>(13,065,725)</u>	
NET CURRENT ASSETS			<u>3,028,223</u>		<u>2,621,677</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,119,948		3,711,501
CREDITORS – amounts falling due after more than one year	11	(3,265,126)		(3,764,744)	
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(358,301)</u>		<u>(327,797)</u>	
			<u>(3,623,427)</u>		<u>(4,092,541)</u>
			<u>496,521</u>		<u>(381,040)</u>
CAPITAL AND RESERVES					
Called up share capital	15		2,200		2,200
Profit and loss account			<u>494,321</u>		<u>(383,240)</u>
Shareholders funds	16		<u>496,521</u>		<u>(381,040)</u>

Approved by the Board on... 4th December 1997
and signed on its behalf by:

N.H. Andrew
Director



HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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 premises

The directors are of the opinion that the market value of the freehold property is in excess of book cost. Subject to the property continuing to be properly maintained, it should both have a sufficiently long life expectancy and maintain its value, such that the directors consider it unnecessary to provide for depreciation.

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 24 December 1996

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.

GROUP ACCOUNTS

The company is exempt from the obligation to prepare and deliver group accounts under S.228(1)(a) Companies Act 1985. Accordingly these accounts present information about the company as an individual undertaking and not about its group.

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:

	1996	1995
	£	£
Depreciation of owned fixed assets	91,916	82,102
Depreciation of fixed assets held under finance leases and hire purchase contracts	17,254	19,297
Loss on disposal of fixed assets	—	611
Directors emoluments	125,257	143,774
Auditors remuneration	16,200	19,200
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of fixed assets	12,191	—
	<u> </u>	<u> </u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

3 DIRECTORS AND EMPLOYEES

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

	1996 No.	1995 No.
Administration	<u>24</u>	<u>23</u>

Staff costs include:

	£	£
Wages and salaries	542,045	544,795
Social security costs	50,274	48,015
Pension costs	42,146	35,870
	<u>634,465</u>	<u>628,680</u>

The emoluments of the directors were:

	£	£
For services as executives	<u>125,257</u>	<u>143,774</u>

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

	£	£
The chairman	<u>36,825</u>	<u>51,125</u>
The highest paid director	<u>53,993</u>	<u>58,566</u>

Other directors in the ranges:

	No.	No.
£0 to £5,000	1	—
£10,001 to £15,000	—	1

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

4 INTEREST PAYABLE	1996 £	1995 £
On borrowings wholly repayable within 5 years:		
Bank loans, overdrafts and other loans not by instalments	178,636	421,381
Finance leases and hire purchase contracts	4,737	3,208
	<u>183,373</u>	<u>424,589</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

6 TANGIBLE FIXED ASSETS

	Freehold premises £	Furniture and equipment £	Motor vehicles £	Plant £	Total £
Cost					
At 25 December 1995	693,923	448,067	488,276	459,862	2,090,128
Additions	—	43,824	90,951	950	135,725
Disposals	—	(16,222)	(116,160)	—	(132,382)
At 24 December 1996	<u>693,923</u>	<u>475,669</u>	<u>463,067</u>	<u>460,812</u>	<u>2,093,471</u>
Depreciation					
At 25 December 1995	—	311,760	296,988	391,558	1,000,306
Charge for the year	—	35,717	62,384	11,069	109,170
Eliminated on disposals	—	(15,572)	(92,156)	—	(107,728)
At 24 December 1996	<u>—</u>	<u>331,905</u>	<u>267,216</u>	<u>402,627</u>	<u>1,001,748</u>
Net book value					
At 24 December 1996	<u>693,923</u>	<u>143,764</u>	<u>195,851</u>	<u>58,185</u>	<u>1,091,723</u>
At 24 December 1995	<u>693,923</u>	<u>136,307</u>	<u>191,288</u>	<u>68,304</u>	<u>1,089,822</u>

The net book value of plant, equipment and vehicles includes £51,759 (1995 - £57,894) in respect of assets held under hire purchase contracts and finance leases.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

7 INVESTMENTS

Investment in group undertakings	£
At 25 December 1995 and	
At 24 December 1996	2

Details of group undertakings at the balance sheet date are as follows:

Name of undertaking and business	Class of Shares	Holding %	Year end
Tamburello Limited			
Equipment and vehicle leasing	Ordinary	100.00	24 December

The subsidiary undertaking is registered in England and Wales.

8 STOCKS	1996	1995
	£	£
Freehold land for resale	1,219,349	119,349
Long leasehold land for resale	300,000	350,000
Work in progress	1,492,158	2,229,154
	<u>3,011,507</u>	<u>2,698,503</u>

9 DEBTORS	1996	1995
	£	£
Trade debtors	190,446	157,408
Corporation tax	—	2,500
Amounts recoverable on contracts	959,459	257,139
Amounts owed by group undertakings	1,877,527	5,400,433
Other debtors	77,664	63,722
Prepayments and accrued income	26,631	34,891
	<u>3,131,727</u>	<u>5,916,093</u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

10 CREDITORS – amounts falling due within one year	1996	1995
	£	£
Bank loans and overdrafts	4,540,212	7,917,837
Other loans	100,000	100,296
Trade creditors	581,452	241,224
Amounts owed to group undertakings	2,843,486	3,452,783
Obligations under finance leases and hire purchase contracts	13,405	4,580
Other taxes and social security	156,077	232,370
Directors' current accounts	204,455	19,144
Other creditors	767,941	638,178
Accruals and deferred income	443,537	459,313
	<u>9,650,565</u>	<u>13,065,725</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.

11 CREDITORS – amounts falling due after more than one year	1996	1995
	£	£
Bank loans	3,250,000	3,750,000
Finance leases and hire purchase contracts	15,126	14,744
	<u>3,265,126</u>	<u>3,764,744</u>

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

Between 1–2 years – by instalments	500,000	500,000
Between 2–5 years – by instalments	1,500,000	1,500,000
	<u>2,000,000</u>	<u>2,000,000</u>
After 5 years – by instalments	1,250,000	1,750,000
	<u>3,250,000</u>	<u>3,750,000</u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

12 LEASE COMMITMENTS

Net obligations under finance leases and hire purchase contracts

	1996	1995
	£	£
Minimum payments due:		
Within one year	14,462	6,392
2-5 years	15,126	15,801
Gross obligations	29,588	22,193
Less: charges allocated to future periods	(1,057)	(2,869)
Net obligations	28,531	19,324

13 OTHER FINANCIAL COMMITMENTS

The company has entered into a guarantee in respect of any borrowings with Barclays Bank PLC, of ten fellow group companies. The total of these borrowings with the bank of these ten fellow companies amounted to £5,924,250 at the balance sheet date.

Property costing £424,477, and a floating charge over the company's assets has been used as security for borrowings from Barclays Bank PLC and others, of this company and its fellow group undertakings.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	1996	1995
	£	£
Provisions for remedial works on contracts		
At 25 December 1995	223,162	238,014
Provided	34,213	(14,852)
	257,375	223,162
Provision for foreseeable losses on long-term contracts	100,296	104,635
At 24 December 1996	358,301	327,797

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

15 SHARE CAPITAL

	1996	1995
	£	£
Authorised:		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u> </u>	<u> </u>
Allotted and fully paid:		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u> </u>	<u> </u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1996	1995
	£	£
Profit on ordinary activities after taxation	877,561	104,766
Opening shareholders funds	(381,040)	(485,806)
	<u> </u>	<u> </u>
Closing shareholders funds	496,521	(381,040)
	<u> </u>	<u> </u>

17 FUTURE CAPITAL EXPENDITURE

	1996	1995
	£	£
Capital expenditure on fixed assets authorised by the directors at the year end but not provided for in the accounts was as follows:		
Contracts placed	—	389,922
Contracts not placed	—	—
	<u> </u>	<u> </u>

18 ULTIMATE PARENT COMPANY

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

19 COMPARATIVE FIGURES

The comparative figures in the profit and loss account are in respect of the period from 1 January 1995 to 24 December 1995.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

20 RELATED PARTY TRANSACTIONS

At 24 December 1996 an amount of £100,000 (1995: £100,296) was owed to the Hargreaves Construction Company 1984 Pension Scheme. Interest charges of £9,451 were incurred on the loan during the year, of which £2,076 is included within accruals and deferred income at the year end. The pension scheme was set up by the company.

At 24 December 1996 an amount of £3,000 (1995: £8,038) was owed to Miss N.J. Hazelwood the daughter of Mr. J. Hazelwood, a director of the company. Interest charges of £704 were incurred on the loan during the year of which £94 is included within accruals and deferred income at the year end.

At 24 December 1996 an amount of £14,729 (1995: £22,734) was owed to Mrs. C.M. Langmead the daughter of Mr. N.H. Andrew, a director of the company. Interest charges of £1,945 were incurred on the loan during the year, of which £1,420 is included within accruals and deferred income at the year end.

At 24 December 1996 an amount of £20,000 (1995: 20,000) was owed to Mrs. E.M. Colman the mother of Mrs. R. Andrew, a director of the company. Interest charges of £1,705 were incurred on the loan during the year, of which £396 is included in accruals and deferred income at the year end.

At 24 December 1996 an amount of £19,925 (1995: £Nil) was owed to the estate of Mrs. M.K. Andrew, the deceased mother of Mr. N.H. Andrew, a director of the company. Interest charges of £591 were incurred on the loan during the year, of which £591 is included within accruals and deferred income at the year end.

At 24 December 1996 an amount of £20,567 was owed to Hargreaves Construction Company Limited by Mr. R.R. Andrew the son of Mr. N.H. Andrew, a director of the company. At 24 December 1995 the company owed Mr. R.R. Andrew the sum of £20,542. Interest charges of £1,369 were incurred on the brought forward loan balance of which £861 included in accruals and deferred income at the year end.

At 24 December 1996 amounts of £152,794 (1995: £95,356) were owed to the M.K. Andrew 1985 No. 3 Trust and the M.K. Andrew No. 4 Trust for both of which Mr. N.H. Andrew, a director of the company is a trustee and a beneficiary. Interest charges of £14,615 were incurred on the loans during the year of which £11,946 is included within accruals and deferred income at the year end.

At 24 December 1996 an amount of £37,178 (1995: £47,031) was owed by Locksley Securities Limited, a fellow subsidiary company. Management and consultancy fees totalling £3,250 were charged to Locksley Securities Limited during the year

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

21 TRANSACTIONS WITH DIRECTORS

At 24 December 1996 an amount of £173,807 (1995: £7,294) was owed to Mr. N.H. Andrew, a director of the company.

Interest charges of £24,259 were incurred on the loan during the year, of which £23,546 is included within accruals and deferred income at the year end.

At 24 December 1996 an amount of £30,648 (1995: £11,850) was owed to Mrs. R. Andrew, a director of the company.

Interest charges of £4,195 were incurred on the loan during the year, of which £3,365 is included within accruals and deferred income at the year end.