

REGISTRARS COPY

HARGREAVES CONSTRUCTION COMPANY LIMITED

REGISTERED NUMBER: 901310

DIRECTORS REPORT AND ACCOUNTS

24 DECEMBER 1997

- 1 Directors report
- 3 Auditors report
- 4 Profit and loss account
- 5 Balance sheet
- 6 Notes to the accounts



Moore
Korlan

HARGREAVES CONSTRUCTION COMPANY LIMITED

DIRECTORS REPORT

The directors submit their report and the accounts for the year ended 24 December 1997.

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 ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was construction and management of development works for other companies in the Hargreaves Group.

The company's future role will be to primarily restrict itself to a construction procurement role for the development companies in the Hargreaves Group.

Both housing and commercial construction activity continued to improve and the directors are satisfied with the company's trading during the year.

DIVIDENDS AND APPROPRIATIONS

An interim dividend of £440,000 has been paid. The directors do not recommend the payment of a final dividend, leaving £450,033 to be withdrawn from reserves.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

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

28th October 1998

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 24 December 1997 and of its results 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 31 December 1995 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

29 October 1998

HARGREAVES CONSTRUCTION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 24 December 1997

	Note	1997 £	1996 £
TURNOVER	2	5,292,371	5,468,201
Change in stocks of finished goods and work in progress		(48,082)	313,004
		<u>5,244,289</u>	<u>5,781,205</u>
Other income		1,447,908	1,072,674
		<u>6,692,197</u>	<u>6,853,879</u>
Raw materials and consumables		(4,324,378)	(4,729,415)
		<u>2,367,819</u>	<u>2,124,464</u>
Staff costs	3	(1,855,959)	(634,465)
Depreciation		(112,039)	(96,979)
Other operating charges		(403,561)	(333,390)
		<u>(3,740)</u>	<u>1,059,630</u>
OPERATING LOSS			
Interest receivable		870	1,304
Interest payable	5	(320,063)	(183,373)
		<u>(319,193)</u>	<u>(182,069)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(322,933)	877,561
Tax on loss on ordinary activities	6	312,900	—
		<u>(10,033)</u>	<u>877,561</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividends		(440,000)	—
		<u>(450,033)</u>	<u>877,561</u>
Retained profits at 24 December 1996		494,321	(383,240)
RETAINED PROFITS AT 24 DECEMBER 1997		<u><u>44,288</u></u>	<u><u>494,321</u></u>

All disclosures relate only to continuing operations.

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

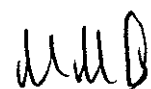
Moore
Rowland

HARGREAVES CONSTRUCTION COMPANY LIMITED

BALANCE SHEET 24 December 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	7		1,125,153		1,091,723
Investments	8		2		2
			<u>1,125,155</u>		<u>1,091,725</u>
CURRENT ASSETS					
Stocks	9	2,963,425		3,011,507	
Debtors	10	6,550,262		3,131,727	
Cash at bank		5,519,059		6,535,554	
		<u>15,032,746</u>		<u>12,678,788</u>	
CREDITORS – amounts falling due within one year	11	(10,586,775)		(9,650,565)	
NET CURRENT ASSETS			<u>4,445,971</u>		<u>3,028,223</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,571,126</u>		<u>4,119,948</u>
CREDITORS – amounts falling due after more than one year	12	(5,128,737)		(3,265,126)	
PROVISIONS FOR LIABILITIES AND CHARGES	15	(395,901)		(358,301)	
			<u>(5,524,638)</u>		<u>(3,623,427)</u>
			<u><u>46,488</u></u>		<u><u>496,521</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		2,200		2,200
Profit and Loss account			44,288		494,321
Shareholders funds	17		<u><u>46,488</u></u>		<u><u>496,521</u></u>

Approved by the Board on... 28th October ... 1998
and signed on its behalf by:



N.H. Andrew
Director

Moore
Rowland

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

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 1997

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 and a funded unapproved retirement benefit scheme 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 (2) (c) Companies Act 1985. Accordingly these accounts present information about the company as an individual undertaking and not about its group.

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

Loss on ordinary activities is stated after charging:

	1997	1996
	£	£
Depreciation of owned fixed assets	111,832	91,916
Depreciation of fixed assets held under finance leases and hire purchase contracts	9,834	17,254
Directors emoluments	104,982	100,272
Auditors remuneration	15,350	16,200
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of fixed assets	9,627	12,191
	<u> </u>	<u> </u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

3 DIRECTORS AND EMPLOYEES

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

	1997 No.	1996 No.
Administration	24	24
Site Operatives	9	—
	<u>33</u>	<u>24</u>

Staff costs include:

	£	£
Wages and salaries	647,078	542,045
Social security costs	62,884	50,274
Pension costs	1,145,997	42,146
	<u>1,855,959</u>	<u>634,465</u>

The emoluments of the directors were:

	£	£
For services as executives	<u>104,982</u>	<u>100,272</u>
Company contribution to defined contribution schemes	<u>1,118,888</u>	<u>14,639</u>
Number of directors accruing benefits under defined contribution schemes	<u>4</u>	<u>3</u>

4 DIVIDENDS

	1997 £	1996 £
Ordinary — interim paid	440,000	—
	<u>440,000</u>	<u>—</u>

5 INTEREST PAYABLE

	1997 £	1996 £
Bank loans and overdrafts	238,268	82,853
Other loans	77,129	95,783
Finance leases and hire purchase contracts	4,666	4,737
	<u>320,063</u>	<u>183,373</u>

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

6 TAX ON LOSS ON ORDINARY ACTIVITIES

1997

1996

£

£

Based on the results for the year:

Group relief

(312,900)

—

(312,900)

—

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

The above is stated after allowing for the surrender of losses which should be available from the other group companies under group relief provisions.

7 TANGIBLE FIXED ASSETS

	Freehold premises £	Furniture and equipment £	Motor vehicles £	Plant £	Total £
Cost					
At 25 December 1996	693,923	475,669	463,067	460,812	2,093,471
Additions	—	5,568	86,168	95,387	187,123
Disposals	—	(3,179)	(56,277)	(32,436)	(91,892)
At 24 December 1997	<u>693,923</u>	<u>478,058</u>	<u>492,958</u>	<u>523,763</u>	<u>2,188,702</u>
Depreciation					
At 25 December 1996	—	331,905	267,216	402,627	1,001,748
Charge for the year	—	39,186	47,908	34,572	121,666
Eliminated on disposals	—	(3,130)	(30,844)	(25,891)	(59,865)
At 24 December 1997	<u>—</u>	<u>367,961</u>	<u>284,280</u>	<u>411,308</u>	<u>1,063,549</u>
Net book value					
At 24 December 1997	<u>693,923</u>	<u>110,097</u>	<u>208,678</u>	<u>112,455</u>	<u>1,125,153</u>
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>

The net book value of plant, equipment and vehicles includes £84,674 (1996 — £51,759) in respect of assets held under hire purchase contracts and finance leases.

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

8 INVESTMENTS

Investment in group undertakings	£
At 25 December 1996 and	
At 24 December 1997	<u>2</u>

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.

9 STOCKS	1997	1996
	£	£
Freehold land for resale	1,245,022	1,219,349
Long leasehold land for resale	—	300,000
Work in progress	1,718,403	1,492,158
	<u>2,963,425</u>	<u>3,011,507</u>

10 DEBTORS	1997	1996
	£	£
Trade debtors	123,039	190,446
Amounts recoverable on contracts	1,719,302	959,459
Amounts owed by group undertakings	4,657,978	1,877,527
Other debtors	20,262	77,664
Prepayments and accrued income	29,681	26,631
	<u>6,550,262</u>	<u>3,131,727</u>

11 CREDITORS — amounts falling due within one year	1997	1996
	£	£
Bank loans and overdrafts	3,287,287	4,540,212
Other loans	—	100,000
Trade creditors	322,051	581,452
Amounts owed to group undertakings	5,635,459	2,843,486
Obligations under hire purchase contracts	10,217	13,405
Other taxes and social security	255,339	156,077
Directors' current accounts	56,475	204,455
Other creditors	590,245	767,941
Accruals and deferred income	429,702	443,537
	<u>10,586,775</u>	<u>9,650,565</u>

Moore
Rowland

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

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.

12 CREDITORS - amounts falling due after more than one year

	1997	1996
	£	£
Bank loans	5,050,000	3,250,000
Finance leases	78,737	15,126
	<u>5,128,737</u>	<u>3,265,126</u>

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

Between 1-2 years - by instalments	662,500	500,000
Between 2-5 years - by instalments	2,150,000	1,500,000
	<u>2,812,500</u>	<u>2,000,000</u>
After 5 years - by instalments	2,237,500	1,250,000
	<u>5,050,000</u>	<u>3,250,000</u>

13 LEASE COMMITMENTS

Net obligations under finance leases and hire purchase contracts

	1997	1996
	£	£
Minimum payments due:		
Within one year	20,700	14,462
2-5 years	86,675	15,126
	<u>107,375</u>	<u>29,588</u>
Gross obligations	107,375	29,588
Less: charges allocated to future periods	(18,421)	(1,057)
	<u>88,954</u>	<u>28,531</u>
Net obligations	88,954	28,531

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

14 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 borrowings with the bank of these ten fellow companies amounted to £5,401,180 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.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Provisions for remedial works on contracts		
At 25 December 1996	257,375	223,162
Provided	37,600	34,213
	<u>294,975</u>	<u>257,375</u>
Provision for foreseeable losses on long-term contracts	100,926	100,926
	<u>100,926</u>	<u>100,926</u>
At 24 December 1997	<u>395,901</u>	<u>358,301</u>

16 SHARE CAPITAL

	1997 £	1996 £
Authorised:		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u>2,200</u>	<u>2,200</u>
Allotted and fully paid:		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u>2,200</u>	<u>2,200</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1997 £	1996 £
Loss on ordinary activities after taxation	(10,033)	877,561
Dividends	(440,000)	—
	<u>(450,033)</u>	<u>877,561</u>
Net deduction from shareholders funds	(450,033)	877,561
Opening shareholders funds	496,521	(381,040)
	<u>496,521</u>	<u>(381,040)</u>
Closing shareholders funds	<u>46,488</u>	<u>496,521</u>

Moore
Rowland

HARGREAVES CONSTRUCTION COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1997

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 RELATED PARTY TRANSACTIONS

At 24 December 1997 an amount of £381,216, including accrued interest of £64,534, was owed to Related Parties.

At 24 December 1997 an amount of £407,363 was owed by Related Parties. All of the Related Parties concerned were Companies registered in England and Wales.

20 TRANSACTIONS WITH DIRECTORS

At 24 December 1997 an amount of £13,194 was owed by Hi-Line Helicopters Limited, a company owned by Mr. N H Andrew and Mr. R R Andrew, directors of the company.

At 24 December 1997 an amount of £1,250 which represented management fees charged during the year was owed by Kentcoast Limited, a company of which Mr. R R Andrew owns more than 25% of the share capital .