

REGISTRARS COPY

Hargreaves Construction Company Limited

Directors' Report and Accounts

Year ended 24 December 1998

Company Registration No. 901310 (England and Wales)



Hargreaves Construction Company Limited

Company Information

Directors

N H Andrew
R Andrew
J Hazelwood
R R Andrew

Secretary

J Hazelwood

Company number

901310

Registered office

Brookfield, Lyminster Road
Lyminster
West Sussex
BN17 7QN

Business address

Rustington House
Worthing Road
Rustington
West Sussex
BN16 3PS

Auditors

BDO Stoy Hayward
Nile House
Nile Street
Brighton
East Sussex
BN1 1PH

Hargreaves Construction Company Limited

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Hargreaves Construction Company Limited

Directors' Report Year ended 24 December 1998

The directors present their report and accounts for the year ended 24 December 1998.

Directors

The following directors have held office since 25 December 1997:

N H Andrew
R Andrew
J Hazelwood
R R Andrew

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 of the company 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 the accounts 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 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

The Company's principal business activity is to procure construction works required by other companies in the Hargreaves Group. This more restricted role for the company than hitherto, announced in last year's directors report, is part of a rationalisation of certain group companies into distinct business units, each with its specific purpose within the group.

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

Year 2000 compliance

The directors have considered whether the company's operations could be adversely affected by malfunctions in computer or other equipment arising from date recognition failures in the year 2000 and beyond.

Although it is impossible to guarantee that no year 2000 problems will arise the directors believe that to the limited extent to which the company's current operations are critically dependent on computer or other equipment which could be affected by year 2000 problems, they have identified and removed the relevant risks.

Directors' interests

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 its subsidiary companies, and their interests in the shares of those companies are disclosed in their own accounts.

Hargreaves Construction Company Limited

Directors' Report

Year ended 24 December 1998

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BDO Stoy Hayward (formerly Moores Rowland) be reappointed as auditors of the company will be put to the Annual General Meeting.

On behalf of the board



N H Andrew

Director

25th OCTOBER 1999

Hargreaves Construction Company Limited

Auditors' Report

To the Shareholders of Hargreaves Construction Company Limited

We have audited the accounts on pages 4 to 13.

Respective responsibilities of directors and auditors

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

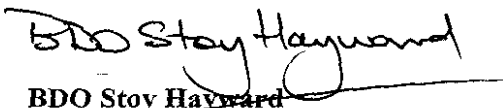
Basis of opinion

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 that 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 as at 24 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward

Chartered Accountants
Registered Auditors

Brighton

26 October 1999

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 1998

	Notes	1998 £	1997 £
Turnover		6,848,082	5,292,371
Cost of sales		(6,171,659)	(4,682,372)
Gross profit		676,423	609,999
Administrative expenses		(228,329)	(2,061,647)
Other operating income		7,111	1,447,908
Operating profit/(loss)	2	455,205	(3,740)
Other interest receivable and similar income	3	3,879	870
Interest payable and similar charges	4	(277,397)	(320,063)
Profit/(loss) on ordinary activities before taxation		181,687	(322,933)
Tax on profit/(loss) on ordinary activities	7	-	312,900
Profit/(loss) on ordinary activities after taxation		181,687	(10,033)
Dividends	8	-	(440,000)
Retained profit/(loss) for the year	16	181,687	(450,033)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Hargreaves Construction Company Limited

Balance Sheet As at 24 December 1998

	Notes	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	9		539,319		1,125,153
Investments			-		2
			<u>539,319</u>		<u>1,125,155</u>
Current assets					
Stocks	10	2,192,892		2,963,425	
Debtors	11	4,806,424		6,550,262	
Cash at bank and in hand		7,838,166		5,519,059	
		<u>14,837,482</u>		<u>15,032,746</u>	
Creditors: amounts falling due within one year	12	(8,130,759)		(10,586,775)	
Net current assets			<u>6,706,723</u>		<u>4,445,971</u>
Total assets less current liabilities			<u>7,246,042</u>		<u>5,571,126</u>
Creditors: amounts falling due after more than one year	13		(6,621,966)		(5,128,737)
Provisions for liabilities and charges	14		(395,901)		(395,901)
			<u>228,175</u>		<u>46,488</u>
Capital and reserves					
Called up share capital	15		2,200		2,200
Profit and loss account	16		225,975		44,288
Shareholders' funds - equity interests	17		<u>228,175</u>		<u>46,488</u>

The accounts were approved by the Board on 25th OCTOBER 1999


N H Andrew
Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1998

1 Accounting policies

1.1 Accounting convention

The accounts are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable by the company exclusive of VAT, derived from its principal activity wholly undertaken in the United Kingdom.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Furniture and equipment, motor vehicles and plant. Depreciation is provided on a basis calculated to write off the cost less residual value of each asset over its estimate useful life. Depreciation is calculated at the rate of 25% reducing balance per annum on these assets and then reviewed by the directors.

1.5 Leasing

Assets held under finance 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.

1.6 Stock and work in progress

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.

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.

1.7 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 long term contracts'.

1.8 Pensions

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 Hargreaves Management Limited and recognised in its profit and loss account as they are incurred.

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1998

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability will crystallise in the foreseeable future.

2 Operating profit/(loss)	1998	1997
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	121,095	121,666
Auditors' remuneration	9,000	15,350
	<u> </u>	<u> </u>
3 Other interest receivable and similar income	1998	1997
	£	£
Other interest	3,879	870
	<u> </u>	<u> </u>
4 Interest payable and similar charges	1998	1997
	£	£
On bank loans and overdrafts	91,806	238,268
On other loans	170,909	77,129
Lease finance charges	14,682	4,666
	<u> </u>	<u> </u>
	<u>277,397</u>	<u>320,063</u>

Hargreaves Construction Company Limited

Notes to the Accounts **Year ended 24 December 1998**

5 Employees

Number of employees

The average number of employees (including directors) during the year was:

	1998	1997
	Number	Number
Administration	23	21
Site operatives	15	12
Less administration employees for whom costs borne by Hargreaves Management Limited	(23)	-
	<u>15</u>	<u>33</u>

Employment costs

	£	£
Wages and salaries	698,211	647,078
Social security costs	72,447	62,884
Other pension costs	695,685	1,145,997
Transfer to Hargreaves Management Limited	(1,200,196)	-
	<u>266,147</u>	<u>1,855,959</u>

The cost of £266,147 is represented by Wages and Salaries of £242,281 and Social Security costs of £23,866.

6 Directors' emoluments

	1998	1997
	£	£
Emoluments for qualifying services	134,086	115,591
Company pension contributions to money purchase schemes	662,022	1,118,888
Transfer to Hargreaves Management Limited	(796,108)	-
	<u>-</u>	<u>1,234,479</u>

7 Taxation

	1998	1997
	£	£
U.K. current year taxation		
Receipt in respect of group relief	-	(312,900)
	<u>-</u>	<u>(312,900)</u>

8 Dividends

	1998	1997
	£	£
Ordinary interim paid	-	440,000
	<u>-</u>	<u>440,000</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1998

9 Tangible fixed assets

	Land and buildings Freehold £	Plant £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
At 25 December 1997	693,923	523,762	478,059	492,958	2,188,702
Additions	-	65,385	164,051	79,514	308,950
Disposals	(693,923)	(37,321)	(98,544)	(269,796)	(1,099,584)
At 24 December 1998	-	551,826	543,566	302,676	1,398,068
Depreciation					
At 25 December 1997	-	411,307	367,962	284,280	1,063,549
On disposals	-	(36,734)	(92,746)	(196,415)	(325,895)
Charge for the year	-	26,518	57,739	36,838	121,095
At 24 December 1998	-	401,091	332,955	124,703	858,749
Net book value					
At 24 December 1998	-	150,735	210,611	177,973	539,319
At 24 December 1997	693,923	112,455	110,097	208,678	1,125,153

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 24 December 1998	118,444
At 24 December 1997	84,674
Depreciation charge for the year	
24 December 1998	18,918
24 December 1997	9,834

10 Stocks and work in progress

	1998 £	1997 £
Freehold land for resale	-	1,245,022
Work in progress	2,192,892	1,718,403
	<u>2,192,892</u>	<u>2,963,425</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1998

11 Debtors	1998	1997
	£	£
Trade debtors	274,704	123,039
Amounts recoverable on long term contracts	234,975	1,719,302
Amounts owed by group undertakings	4,152,923	4,657,978
Corporation tax	414	-
Other debtors	107,851	20,262
Prepayments and accrued income	35,557	29,681
	<u>4,806,424</u>	<u>6,550,262</u>

Amounts falling due after more than one year and included in the debtors above are:

	1998	1997
	£	£
Amounts owed by group undertakings	<u>1,883,254</u>	<u>-</u>

12 Creditors: amounts falling due within one year	1998	1997
	£	£
Bank loans and overdrafts	2,384,612	3,287,287
Net obligations under finance lease and hire purchase contracts	33,921	10,217
Trade creditors	371,282	322,051
Amounts owed to group undertakings	2,775,835	5,635,459
Taxes and social security costs	235,907	255,339
Directors' current accounts	168,725	56,475
Other loans	1,004,000	-
Other creditors	476,099	590,245
Accruals and deferred income	680,378	429,702
	<u>8,130,759</u>	<u>10,586,775</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.

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1998

13 Creditors: amounts falling due after more than one year	1998	1997
	£	£
Bank loans	6,525,000	5,050,000
Net obligations under finance leases and hire purchase agreements	96,966	78,737
	<u>6,621,966</u>	<u>5,128,737</u>
The bank loans carry variable interest rates and are repayable as follows:		
Not wholly repayable within five years by instalments:	2,400,000	2,237,500
Wholly repayable within five years	4,125,000	2,812,500
	<u>6,525,000</u>	<u>5,050,000</u>
Bank loan maturity analysis		
Between one and two years	875,000	662,500
Between two and five years	3,250,000	2,150,000
In five years or more	2,400,000	2,237,500
	<u>6,525,000</u>	<u>5,050,000</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	46,647	20,700
Repayable between one and five years	104,218	86,675
	<u>150,865</u>	<u>107,375</u>
Finance charges and interest allocated to future accounting periods	(19,978)	(18,421)
	<u>130,887</u>	<u>88,954</u>
Included in liabilities falling due within one year	(33,921)	(10,217)
	<u>96,966</u>	<u>78,737</u>
14 Provisions for liabilities and charges		
	1998	1997
	£	£
Provision for remedial works	294,975	294,975
Provision for foreseeable losses on long term contracts	100,926	100,926
	<u>395,901</u>	<u>395,901</u>

Hargreaves Construction Company Limited

Notes to the Accounts **Year ended 24 December 1998**

15 Share capital	1998	1997
	£	£
Authorised		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
2,200 Ordinary shares of £1 each	2,200	2,200
	<u> </u>	<u> </u>

16 Statement of movements on profit and loss account

	£
Balance at 25 December 1997	44,288
Retained profit for the year	181,687
	<u> </u>
Balance at 24 December 1998	225,975
	<u> </u>

17 Reconciliation of movements in shareholders' funds	1998	1997
	£	£
Profit/(Loss) for the financial year	181,687	(10,033)
Dividends	-	(440,000)
	<u> </u>	<u> </u>
Net addition to/(depletion in) shareholders' funds	181,687	(450,033)
Opening shareholders' funds	46,488	496,521
	<u> </u>	<u> </u>
Closing shareholders' funds	228,175	46,488
	<u> </u>	<u> </u>

18 Financial commitments

The company has entered into a guarantee in respect of any borrowings with Barclays Bank PLC, of eleven fellow group companies. The total borrowings with the bank of these eleven fellow companies amounted to £8,237,916 at the balance sheet date.

19 Pension costs

The company operates defined contribution pension 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 £695,685 (1997 - £1,145,997). All costs for 1998 have been charged to Hargreaves Management Limited and are disclosed in its own accounts.

20 Control

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

Hargreaves Construction Company Limited

Notes to the Accounts ***Year ended 24 December 1998***

21 Related party transactions

At 24 December 1998 an amount of £1,396,094 including accrued interest of £130,219 was owed to related parties.

At 24 December 1998 an amount of £32,231 was owed by related parties.

During the year, the company made sales of £404,391 to Mr & Mrs S Langmead. Mrs C M Langmead is the daughter of N H Andrew, a director of the company.

22 Transactions with directors

At 24 December 1998 an amount of £489,905 including accrued interest of £55,000 was owed by the company to the directors of the company.