

Hargreaves Construction Company Limited

Directors' Report and Accounts

Year Ended 24 December 1999

Company Registration No. 901310 (England and Wales)



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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
8 Baker Street
LONDON
W1M 1DA

Hargreaves Construction Company Limited

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Hargreaves Construction Company Limited

Directors' Report **Year ended 24 December 1999**

The directors present their report and accounts for the year ended 24 December 1999.

Directors

The following directors have held office since 25 December 1998:

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 and business review

The Company's principal business activity is to procure construction works required by other companies in the Hargreaves Group.

There has been no significant change in the company's activities during the year and the directors are satisfied with the company's trading during the year.

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 their interests in the shares of that company are disclosed in its own accounts.

Hargreaves Construction Company Limited

Directors' Report Year ended 24 December 1999

Auditors

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

On behalf of the board



N H Andrew
Director

Date: 23rd October 2000

Hargreaves Construction Company Limited

Report of the Auditors

To the shareholders of Hargreaves Construction Company Ltd

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 6 .

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 24 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants
and Registered Auditors
London

Date: 23 October 2000

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 1999

	Notes	1999 £	1998 £
Turnover	2	5,823,277	6,848,082
Cost of sales		(5,284,373)	(6,171,659)
Gross profit		538,904	676,423
Administrative expenses		(230,258)	(228,329)
Operating profit	3	308,646	448,094
Other interest receivable and similar income	4	5,487	3,879
Interest payable and similar charges	5	(141,735)	(277,397)
Profit on ordinary activities before taxation		172,398	174,576
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after taxation		172,398	174,576
Dividends		-	-
Retained profit for the year	15	172,398	174,576

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 1999

	Notes	£	1999 £	£	1998 £
Fixed Assets					
Tangible assets	8		-		539,319
Investments					
Current assets					
Stocks	9	1,368,722		2,192,892	
Debtors	10	5,471,490		4,806,424	
Cash at bank and in hand		4,812,341		7,838,166	
			11,652,553	14,837,482	
Creditors: amounts falling due within one year	11	(7,255,654)		(8,130,759)	
Net current assets			4,396,899		6,706,723
Total assets less current liabilities			4,396,899		7,246,042
Creditors: amounts falling due after more than one year	12		(3,700,000)		(6,621,966)
Provisions for liabilities and charges	13		(296,326)		(395,901)
			400,573		228,175
Capital and reserves					
Called up share capital	14		2,200		2,200
Profit and loss account	15		398,373		225,975
Shareholders' funds - equity interests	16		400,573		228,175

The accounts were approved by the Board on

23rd October 2000


N H Andrew
Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1999

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 for goods and services net of value added tax.

1.4 Stock and 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.

1.5 Long term contracts

Long term contract work in progress is stated in the balance sheet 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'.

1.6 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.

1.7 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 Turnover

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

3 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	-	121,095
Auditors' remuneration	-	9,000

4 Other interest receivable and similar income

	1999	1998
	£	£
Other interest	5,487	3,879

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1999

5 Interest payable and similar charges

	1999 £	1998 £
On bank loans and overdrafts	4,418	91,806
On other loans	137,317	170,909
Lease finance charges	-	14,682
	<u>141,735</u>	<u>277,397</u>

6 Employees

Number of employees

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

	1999 Number	1998 Number
Administration	24	23
Site operatives	15	15
Less administration employees for whom costs borne by Hargreaves Management Limited	(24)	(23)
	<u>15</u>	<u>15</u>

Employment costs

	£	£
Wages and salaries	809,329	733,086
Social security costs	73,908	70,593
Other pension costs	855,061	695,685
Transfer to Hargreaves Management Limited	(1,431,452)	(1,233,217)
	<u>306,846</u>	<u>266,147</u>

The cost of £306,846 is represented by wages and salaries of £281,131 and Social Security costs of £25,715.

7 Directors' emoluments

	1999 £	1998 £
Emoluments for qualifying services	137,708	122,957
Company pension contributions to money purchase schemes	813,903	662,022
Transfer to Hargreaves Management Limited	(966,488)	(796,108)
	<u>(14,877)</u>	<u>(11,129)</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1999

8 Tangible fixed assets

	Plant £	Furniture and equipment £	Motor vehicles £	Total £
Cost				
At 25 December 1998	551,826	543,566	302,676	1,398,068
Additions	-	-	-	-
Disposals	(551,826)	(543,566)	(302,676)	(1,398,068)
At 24 December 1999	-	-	-	-
Depreciation				
At 25 December 1998	401,091	332,955	124,703	858,749
On disposals	(401,091)	(332,955)	(124,703)	(858,749)
Charge for the year	-	-	-	-
At 24 December 1999	-	-	-	-
Net book value				
At 24 December 1999	-	-	-	-
At 24 December 1998	150,735	210,611	177,973	539,319

On 25th December 1998, the company's fixed assets were transferred to a fellow group undertaking.

Included above are assets held under finance leases as follows:

	Motor vehicles £
Net book values	
At 24 December 1999	-
At 24 December 1998	118,444
Depreciation charge for the year	
At 24 December 1999	-
At 24 December 1998	18,918

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 1999

9 Stocks and work in progress	1999	1998
	£	£
Work in progress	<u>1,368,722</u>	<u>2,192,892</u>
10 Debtors	1999	1998
	£	£
Trade debtors	153,014	274,704
Amounts recoverable on long term contracts	98,150	234,975
Amounts owed by group undertakings	4,994,103	4,152,923
Corporation tax	-	414
ACT recoverable	14,000	-
Other debtors	171,157	107,851
Prepayments and accrued income	41,066	35,557
	<u>5,471,490</u>	<u>4,806,424</u>
Amounts falling due after more than one year and included in the debtors above are:		
	1999	1998
	£	£
Amounts owed by group undertakings	1,854,641	1,883,254
ACT recoverable	10,250	-
	<u>1,864,891</u>	<u>1,883,254</u>
11 Creditors: amounts falling due within one year	1999	1998
	£	£
Bank loans and overdrafts	968,694	2,384,612
Net obligations under finance lease and hire purchase contracts	-	33,921
Trade creditors	393,040	371,282
Amounts owed to group undertakings	3,235,017	2,775,835
Corporation tax	-	-
Other taxes and social security costs	194,048	235,907
Directors' current accounts	29,222	168,725
Other loans	1,003,602	1,004,000
Other creditors	734,102	476,099
Accruals and deferred income	697,929	680,378
	<u>7,255,654</u>	<u>8,130,759</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 1999

12 Creditors: amounts falling due after more than one year	1999 £	1998 £
Bank loans	3,700,000	6,525,000
Net obligations under finance leases and hire purchase agreements	-	96,966
	<u>3,700,000</u>	<u>6,621,966</u>

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

Not wholly repayable within five years by instalments:	887,500	2,400,000
Wholly repayable within five years	2,812,500	4,125,000
	<u>3,700,000</u>	<u>6,525,000</u>

Bank loan maturity analysis

Between one and two years	712,500	875,000
Between two and five years	2,100,000	3,250,000
In five years or more	887,500	2,400,000
	<u>3,700,000</u>	<u>6,525,000</u>

Net obligations under finance leases and hire purchase contracts

Repayable within one year	-	46,647
Repayable between one and five years	-	104,218
	-	-
	-	150,865
Finance charges and interest allocated to future accounting periods	-	(19,978)
	-	-
	-	130,887
Included in liabilities falling due within one year	-	(33,921)
	-	-
	-	96,966

13 Provisions for liabilities and charges

	1999 £	1998 £
Provision for remedial works	198,150	294,975
Provision for foreseeable losses on long term contracts	98,176	100,926
Balance at 24 December 1999	<u>296,326</u>	<u>395,901</u>

Hargreaves Construction Company Limited

Notes to the Accounts

Year ended 24 December 1999

14 Share capital	1999 £	1998 £
Authorised 2,200 Ordinary shares of £1 each	<u>2,200</u>	<u>2,200</u>
Allotted, called up and fully paid 2,200 Ordinary shares of £1 each	<u>2,200</u>	<u>2,200</u>

15 Statement of movements on profit and loss account

	£
Balance at 25 December 1998	225,975
Retained profit for the year	172,398
Balance at 24 December 1999	<u>398,373</u>

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	172,398	181,687
Opening shareholders' funds	228,175	46,488
Closing shareholders' funds	<u>400,573</u>	<u>228,175</u>

17 Financial commitments

The company has entered into a guarantee in respect of any borrowings with Barclays Bank Plc, of fourteen fellow group companies. The total borrowings of the group with the bank amounted to £5,048,029 at the balance sheet date.

18 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 £885,061 (1998 - £695,685). All costs for 1999 have been charged to Hargreaves Management Limited and are disclosed in its own accounts.

19 Ultimate parent company

The directors consider that the ultimate parent company is Hargreaves Property Holdings Limited which is registered in England and Wales and is the parent of both the smallest and the largest groups of which the company is a member.

Hargreaves Construction Company Limited

Notes to the Accounts

Year ended 24 December 1999

20 Related party transactions

Included in creditors payable within one year are loans from the Hargreaves 1997 FURBS in the amount of £1,187,004 (1998:£1,093,121). Interest is charged at 3% over Barclays Bank base rate and the amount charged to the profit & loss account in the year was £94,281 (1998:£89,121)

Included in creditors payable within one year are loans from Andrew family members and family trusts in the amount of £724,807 (1998:£300,922). Interest is charged at rates varying between 7% and 10% and the amount charged to profit and loss account in the year was £28,769 (1998:£24,286)

Included within creditors due within one year are loans from certain directors of the company. Interest is charged at rates varying between 7% and 7.75%. The amounts outstanding at the year end and the interest charged to profit and loss account in the year are as follows:

	Liability 1999	Liability 1998	Interest 1999	Interest 1998
NH Andrew	53,973	350,665	7,763	7,429
R Andrew	31,042	44,923	3,354	4,162
RR Andrew	11,502	7,630	3,067	592
	<u>96,517</u>	<u>403,218</u>	<u>14,184</u>	<u>12,183</u>

Included within debtors are loans to Kentcoast Ltd, a company in which J Hazelwood and R R Andrew have interests, in the amount of £76,137 (1998: £nil). Interest is credited at 2% above Barclays Bank plc base rate and the amount credited to profit and loss account in the year was £1,187 (1998: £nil)

The company has taken advantage of the exemption allowed by FRS 8 not to disclose any transactions with entities that are included in the consolidated accounts of the ultimate parent company.