

Hargreaves Construction Company Limited
Directors' Report and Accounts
Year Ended 24 December 2001

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
8 Baker Street
LONDON
W1U 3LL

Hargreaves Construction Company Limited

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Hargreaves Construction Company Limited

Directors' Report Year ended 24 December 2001

The directors present their report and accounts for the year ended 24 December 2001.

Directors

The following directors have held office since 25 December 2000:

N H Andrew
R Andrew
J Hazelwood
R R Andrew

Directors' statement

These accounts are prepared in compliance with the requirements of Statute to 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.

As a private company, our policy in producing these accounts is to provide only such information in such form as required by Statute and to comply with those Financial Reporting Standards and Statements of Standard Accounting Practice as are relevant, in the opinion of the directors, to the activities of the company.

In preparing these accounts the directors have recognised and complied with requirements for them to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare accounts on the going concern basis unless it is inappropriate to presume the company will continue in business;
- keep 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;
- safeguard the assets of the company and take 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.

Hargreaves Construction Company Limited

Directors' Report

Year ended 24 December 2001

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.

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: 8th October 2002

Hargreaves Construction Company Limited

Report of the independent auditors to the shareholders of Hargreaves Construction Company Limited

We have audited the financial statements of Hargreaves Construction Company Limited for the year ended 24 December 2001 on pages 4 to 11 which have been prepared under the accounting policies set out on page 6 .

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 at 24 December 2001 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:  October 2002

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2001

	Notes	2001 £	2000 £
Turnover	2	6,663,173	5,208,770
Cost of sales		(6,086,078)	(4,577,886)
Gross profit		577,095	630,884
Administrative expenses		(475,000)	(340,000)
Operating profit	3	102,095	290,884
Interest receivable and similar income	4	44,305	124,071
Interest payable and similar charges	5	(97,266)	(194,639)
Profit on ordinary activities before taxation		49,134	220,316
Tax on profit on ordinary activities	8	(3,158)	(3,750)
Profit for the year	15	45,976	216,566

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

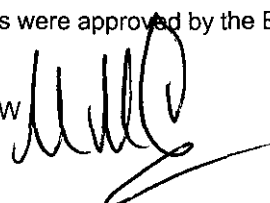
Balance Sheet As at 24 December 2001

	Notes	£	2001 £	£	2000 £
Current assets					
Stocks	9	1,876,905		1,713,954	
Debtors	10	11,325,639		7,842,337	
Cash at bank and in hand		6,164,755		4,335,794	
		<u>19,367,299</u>		<u>13,892,085</u>	
Creditors: amounts falling due within one year	11	(18,604,184)		(10,016,120)	
		<u></u>		<u></u>	
Net current assets			763,115		3,875,965
			<u></u>		<u></u>
Total assets less current liabilities			763,115		3,875,965
Creditors: amounts falling due after more than one year	12		-		(2,987,500)
Provisions for liabilities and charges	13		(100,000)		(271,326)
			<u>663,115</u>		<u>617,139</u>
Capital and reserves					
Called up share capital	14		2,200		2,200
Profit and loss account	15		660,915		614,939
Shareholders' funds - equity interests	16		<u>663,115</u>		<u>617,139</u>

The accounts were approved by the Board on 8th October 2002.

N H ANDREW

Director



Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2001

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

Auditors' remuneration is borne by Hargreaves Management Limited, a fellow group company.

4 Other interest receivable and similar income

	2001 £	2000 £
Other interest	<u>44,305</u>	<u>124,071</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2001

5	Interest payable and similar charges	2001 £	2000 £
	On bank loans and overdrafts	4,155	41,679
	On other loans	93,111	152,960
		<u>97,266</u>	<u>194,639</u>

6 Employees

Number of employees

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

	2001 Number	2000 Number
Administration	28	26
Site operatives	16	15
<u>Less:</u>		
Administration employees for whom costs borne by Hargreaves Management Limited	(28)	(26)
	<u>16</u>	<u>15</u>

Employment costs

	£	£
Wages and salaries	1,002,773	840,565
Social security costs	105,238	96,598
Other pension costs	64,031	856,373
<u>Less:</u>		
Costs borne by Hargreaves Management Limited	(842,953)	(1,486,093)
	<u>329,089</u>	<u>307,443</u>

The cost of £329,089 (2000 £307,443) represents wages and salaries of £301,489 (2000 £282,688) and social security costs of £27,600 (2000 £24,755).

7 Directors' emoluments

	2001 £	2000 £
Emoluments for qualifying services	236,866	191,349
Company pension contributions to money purchase schemes	25,731	820,881
<u>Less:</u>		
Costs borne by Hargreaves Management Limited	(262,597)	(1,012,230)
	<u>-</u>	<u>-</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2001

8	Taxation	2001	2000
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 20% (2000-20%)	<u>3,158</u>	<u>3,750</u>
9	Stocks and work in progress	2001	2000
		£	£
	Work in progress	<u>1,876,905</u>	<u>1,713,954</u>
10	Debtors	2001	2000
		£	£
	Trade debtors	71,979	42,706
	Amounts recoverable on long term contracts	-	93,150
	Amounts owed by group undertakings	10,877,561	7,358,605
	ACT recoverable	7,092	10,250
	Other debtors	283,151	291,473
	Prepayments and accrued income	85,856	46,153
		<u>11,325,639</u>	<u>7,842,337</u>
	Amounts falling due after more than one year and included in the debtors above are:		
		2001	2000
		£	£
	Amounts owed by group undertakings	1,544,557	1,684,557
	ACT recoverable	7,092	10,250
		<u>1,551,649</u>	<u>1,694,807</u>
11	Creditors: amounts falling due within one year	2001	2000
		£	£
	Bank loans and overdrafts	6,246,603	1,108,629
	Trade creditors	528,692	282,919
	Amounts owed to group undertakings	10,501,358	6,825,616
	Other taxes and social security costs	97,107	74,429
	Directors' current accounts	67,139	95,443
	Other loans	93,018	603,018
	Other creditors	234,089	247,956
	Accruals and deferred income	836,178	778,110
		<u>18,604,184</u>	<u>10,016,120</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 2001

12 Creditors: amounts falling due after more than one year	2001	2000
	£	£

Bank loans	-	2,987,500
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The bank loans carry variable interest rates and are repayable as follows:

Not wholly repayable within five years by instalments	-	550,000
Wholly repayable within five years	-	2,437,500
	-	2,987,500

Bank loan maturity analysis

Between one and two years	-	750,000
Between two and five years	-	1,687,500
In five years or more	-	550,000
	-	2,987,500

13 Provisions for liabilities and charges	2001	2000
	£	£

Provision for remedial works	100,000	188,150
Provision for foreseeable losses on long term contracts	-	83,176
Balance at 24 December 2001	100,000	271,326

Hargreaves Construction Company Limited

Notes to the Accounts

Year ended 24 December 2001

14 Share capital	2001 £	2000 £
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>
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15 Statement of movements on profit and loss account

	£
Balance at 25 December 2000	614,939
Retained profit for the year	45,976
Balance at 24 December 2001	<u>660,915</u>

16 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	45,976	216,566
Opening shareholders' funds	617,139	400,573
Closing shareholders' funds	<u>663,115</u>	<u>617,139</u>

17 Financial commitments

The company has entered into a guarantee in respect of any borrowings with Barclays Bank Plc, of seventeen fellow group companies. The total borrowings of the group with the bank amounted to £5,523,197 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 £64,030 (2000 - £856,373). All costs for 2001 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 2001

20 Related party transactions

Included in creditors payable within one year are loans from the Hargreaves 1997 FURBS in the amount of £441,755 (2000:£889,549). Interest is charged at 3% over Barclays Bank base rate and the amount charged to the profit & loss account in the year was £62,206 (2000:£103,129)

Included in creditors payable within one year are loans from Andrew family members and family trusts in the amount of £364,343 (2000:£277,966). Interest is charged at rates varying between 6.25% and 9% and the amount charged to profit and loss account in the year was £19,816 (2000:£37,903)

Included within creditors payable within one year are loans from certain directors of the company. Interest is charged at rates varying between 6.25% and 9%. The amounts outstanding at the year end and the interest charged to profit and loss account in the year are as follows:

	Liability	Liability	Interest	Interest
	2001	2000	2001	2000
NH Andrew	102,473	125,590	6,460	8,132
R Andrew	36,921	32,988	3,312	2,773
RR Andrew	15,323	12,490	1,315	1,036
	<u>154,717</u>	<u>171,068</u>	<u>11,087</u>	<u>11,941</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 £246,805 (2000: £276,138). Interest is credited at 2% above Barclays Bank plc base rate and the amount credited to profit and loss account in the year was £19,602 (2000: £8,400.)

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.