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Hargreaves Construction Company Limited

Directors' Report and Accounts

Year Ended 24 December 2002

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 2002

The directors present their report and accounts for the year ended 24 December 2002.

Directors

The following directors have held office since 25 December 2001:

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;
- 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, business review and future developments

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 2002

Directors' interests

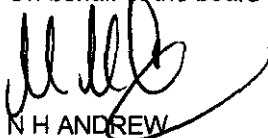
No director had an interest in the shares of the company.

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: 13 October 2003

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 2002 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 if 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

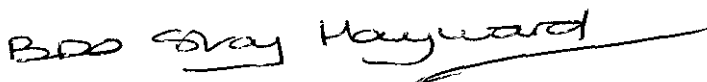
Basis of audit opinion

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

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD, London
Chartered Accountants and Registered Auditors

Date: 13 October 2003

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2002

	Notes	2002 £	2001 As restated £
Turnover	2	5,087,681	6,663,173
Cost of sales		(4,952,387)	(6,086,078)
Gross profit		135,294	577,095
Administrative expenses		(60,000)	(475,000)
Operating profit	3	75,294	102,095
Interest receivable and similar income	4	-	44,305
Interest payable and similar charges	5	-	(97,266)
Profit on ordinary activities before taxation		75,294	49,134
Tax on profit on ordinary activities	7	(6,100)	109,231
Profit for the year	13	69,194	158,365

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.

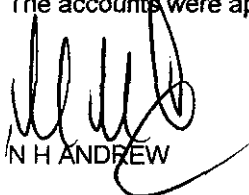
Hargreaves Construction Company Limited

Balance Sheet

As at 24 December 2002

	Notes	£	2002 £	2001 As restated £
Current assets				
Stocks	8	2,107,278		1,876,905
Debtors	9	16,182,559		11,325,639
Cash at bank and in hand		161,724		6,164,755
			<u>18,451,561</u>	<u>19,367,299</u>
Creditors: amounts falling due within one year	10	(17,608,152)		(18,604,184)
			<u>843,409</u>	<u>763,115</u>
Net current assets				
Provisions for liabilities and charges	11		1,289	12,389
			<u>844,698</u>	<u>775,504</u>
Capital and reserves				
Called up share capital	12		2,200	2,200
Profit and loss account	13		842,498	773,304
Shareholders' funds - equity interests	14		<u>844,698</u>	<u>775,504</u>

The accounts were approved by the Board on 13 October 2003.


N H ANDREW

Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2002

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

1.7 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising from accelerated capital allowances in respect of investment properties
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profit in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted.

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.

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2002

3 Operating profit

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

4 Other interest receivable and similar income

	2002 £	2001 £
Other interest	-	44,305

5 Interest payable and similar charges

	2002 £	2001 £
On bank loans and overdrafts	-	4,155
On other loans	-	93,111
	-	97,266

6 Employees

Number of employees

The average number of employees during the year was:

	2002 Number	2001 Number
Administration	1	1
Site operatives	13	14
	14	15

Employment costs

	£	£
Wages and salaries	257,914	274,524
Social security costs	22,138	24,164
Other pension costs	2,215	-
	282,267	298,688

Certain of the costs of these employees are charged in the accounts of Hargreaves Management Ltd

The directors' received no remuneration in the current or prior year.

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2002

7	Taxation	2002	2001
		£	As restated £
	U.K. current year taxation		
	U.K. corporation tax at 19.27% (2001 - 20%)	-	3,158
	Deferred tax		
	Origination and reversal of timing differences	6,100	(112,389)
		<u>6,100</u>	<u>(109,231)</u>
	The difference between the profit at the standard rate of corporation tax in the UK and the tax assessed for the year is explained below:	2002	2001
		£	£
	Profit on ordinary activities before tax	<u>75,294</u>	<u>49,134</u>
	Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.27% (2001 - 20%)	14,509	9,827
	<i>Effect of:</i>		
	Utilisation of tax losses	-	(16,223)
	Loan interest due to connected parties	(401)	17,784
	Group relief claimed	(14,108)	(8,230)
	<i>Current tax charge for year</i>	<u>-</u>	<u>3,158</u>
8	Stocks and work in progress	2002	2001
		£	£
	Work in progress	<u>2,107,278</u>	<u>1,876,905</u>
9	Debtors	2002	2001
		£	£
	Trade debtors	91,508	71,979
	Amounts owed by group undertakings	14,881,831	10,877,561
	ACT recoverable	7,093	7,092
	Other debtors	1,150,280	283,151
	Prepayments and accrued income	51,847	85,856
		<u>16,182,559</u>	<u>11,325,639</u>
	Amounts falling due after more than one year and included in the debtors above are:		
	Amounts owed by group undertakings	3,415,443	1,544,557
	ACT recoverable	7,093	7,092
		<u>3,422,536</u>	<u>1,551,649</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2002

10 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	-	6,246,603
Trade creditors	609,783	528,692
Amounts owed to group undertakings	16,040,659	10,501,358
Other taxes and social security costs	96,053	97,107
Directors' current accounts	-	67,139
Other loans	-	93,018
Other creditors	133,137	234,089
Accruals and deferred income	728,520	836,178
	<u>17,608,152</u>	<u>18,604,184</u>

The bank loans and overdrafts are secured by fixed charges over assets of other group companies and by a floating charge over the assets of this company.

11 Provisions for liabilities and charges

Following the adoption of Financial Reporting Standard 19 'Deferred Tax' by the Accounting Standards Board, the Company has changed its accounting policy for deferred tax. Under the Company's previous accounting policy, deferred tax was provided only to the extent that there was a reasonable probability that a liability would crystallise in the foreseeable future. The Company's new accounting policy, which is set out in Note 1, results in the following deferred tax assets:

	£	
At 25 December 2001 as previously stated	-	
Prior Year Adjustment	(112,389)	
At 25 December 2001 as restated	(112,389)	
Charged to profit & loss account in year	6,100	
At 24 December 2002	(106,289)	
Representing: Loan interest due to connected parties	(106,289)	
Summary	2002 £	2001 £
Deferred tax as above	(106,289)	(112,389)
Provision for remedial works	105,000	100,000
	<u>(1,289)</u>	<u>(12,389)</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2002

12 Share capital	2002	2001
	£	£
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>
13 Statement of movements on profit and loss account		£
Balance at 25 December 2001		660,915
Prior year adjustment		112,389
		<u>773,304</u>
Balance at 25 December 2001 as restated		773,304
Retained profit for the year		69,194
Balance at 24 December 2002		<u>842,498</u>
14 Reconciliation of movements in shareholders' funds	2002	2001
	£	£
Profit for the financial year	69,194	158,365
Opening shareholders' funds	775,504	617,139
Closing shareholders' funds	<u>844,698</u>	<u>775,504</u>
15 Financial commitments		
The company has entered into a guarantee in respect of any borrowings with Barclays Bank Plc, of twenty fellow group companies. The total borrowings of the group with the bank amounted to £2,240,035 at the balance sheet date.		
16 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.		
17 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 2002

18 Related party transactions

Included in creditors payable within one year are loans from the Hargreaves 1997 FURBS in the amount of £348,737 (2001: £441,755). Interest is charged at 3% over Barclays Bank base rate and the amount charged to the profit & loss account in the year was £Nil (2001: £62,206).

Included in creditors payable within one year are loans from Andrew family members and family trusts in the amount of £123,942 (2001: £364,343). Interest is charged at rates varying between 6% and 9% and the amount charged to the profit and loss account in the year was £Nil (2001: £19,816).

Included within creditors payable within one year are loans from certain directors of the company. Interest is charged at rates varying between 6% and 9%. The amounts outstanding at the year end and the interest charged to the profit and loss account in the year are as follows:

	Liability 2002	Liability 2001	Interest 2002	Interest 2001
	£	£	£	£
NH Andrew	-	102,473	-	6,460
R Andrew	-	36,921	-	3,312
RR Andrew	-	15,323	-	1,315
	<u>-</u>	<u>154,717</u>	<u>-</u>	<u>11,087</u>

Included within creditors payable within one year is an amount of £43,810 (2001 : £nil) in respect of VAT output tax collected on behalf of the Hargreaves Construction 1984 Pension Scheme and payable to Customs and Excise.

Included within debtors are loans to Kentcoast Ltd, a company in which J Hazelwood and R R Andrew have interests, in the amount of £1,030,976 (2001: £246,805). The loan is interest-free (2001: 2% above Barclays Bank plc base rate) and the amount credited to profit and loss account in the year was £Nil, (2001: £19,602).

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.