

Hargreaves Construction Company Limited
Directors' Report and Accounts
Year Ended 24 December 2003

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 LLP
8 Baker Street
London
W1U 3LL

Hargreaves Construction Company Limited

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Hargreaves Construction Company Limited

Directors' Report **Year ended 24 December 2003**

The directors present their report and accounts for the year ended 24 December 2003.

Directors

The following directors have held office since 25 December 2002:

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, 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 2003

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.

Dividends and appropriations

The directors recommend the payment of a final dividend of £181.8182 per share (2002: £nil) amounting to £400,000 (2002: £nil) for the year.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly, BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board



N H ANDREW

Director

Date: 12 October 2004

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 2003 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London

Date: 12 October 2004

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2003

	Notes	2003 £	2002 £
Turnover	2	4,434,977	5,087,681
Cost of sales		(4,244,418)	(4,952,387)
Gross profit		190,559	135,294
Administrative expenses		(90,000)	(60,000)
Operating profit	3	100,559	75,294
Interest receivable and similar income		397,059	-
		497,618	75,294
Tax on profit on ordinary activities	6	(38,572)	(6,100)
Profit for the year after taxation		459,046	69,194
Retained profit brought forward		842,498	773,304
		1,301,544	842,498
Dividends	7	(400,000)	-
Retained profit carried forward	13	901,544	842,498

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.

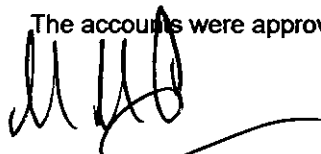
Hargreaves Construction Company Limited

Balance Sheet

As at 24 December 2003

			2003	2002
	Notes	£	£	£
Current assets				
Stocks	8	3,058,326	2,107,278	
Debtors	9	14,359,008	16,182,559	
Cash at bank and in hand		323,716	161,724	
		<u>17,741,050</u>	<u>18,451,561</u>	
Creditors: amounts falling due within one year	10	(16,792,023)	(17,608,152)	
Net current assets			949,027	843,409
Provisions for liabilities and charges	11	(45,283)		1,289
		<u>903,744</u>	<u>844,698</u>	
Capital and reserves				
Called up share capital	12	2,200	2,200	
Profit and loss account	13	901,544	842,498	
Shareholders' funds - equity interests	14	<u>903,744</u>	<u>844,698</u>	

The accounts were approved by the Board on 12 October 2004.



N H ANDREW

Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2003

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:

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits 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 2003

3 Operating profit

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

4 Interest Receivable and similar income

	2003 £	2002 £
Other interest	<u>397,059</u>	<u>-</u>

5 Employees

Number of employees

The average number of employees during the year was:

	2003 Number	2002 Number
Administration	1	1
Site operatives	14	13
	<u>15</u>	<u>14</u>

Employment costs

	£	£
Wages and salaries	296,100	257,914
Social security costs	27,799	22,138
Other pension costs	2,425	2,215
	<u>326,324</u>	<u>282,267</u>

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

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

6 Taxation

	2003 £	2002 £
U.K. current year taxation	-	-
U.K. corporation tax at 19% (2002 - 19.27%)		
Deferred tax	38,572	6,100
Origination and reversal of timing differences	<u>38,572</u>	<u>6,100</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2003

6 Taxation (continued)

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:	2003 £	2002 £
Profit on ordinary activities before tax	<u>497,618</u>	<u>75,294</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2002 - 19.27%)	94,547	14,509
<i>Effect of:</i>		
Loan interest due to connected parties	(38,572)	(401)
Group relief surrendered / (claimed)	(55,975)	(14,108)
<i>Current tax charge for year</i>	<u>-</u>	<u>-</u>

7 Dividends

	2003 £	2002 £
Ordinary dividend		
Final proposed dividend of £181.8182 (2002: £nil) per share	<u>400,000</u>	<u>-</u>

8 Stocks and work in progress

	2003 £	2002 £
Work in progress	<u>3,058,326</u>	<u>2,107,278</u>

9 Debtors

	2003 £	2002 £
Trade debtors	90,809	91,508
Amounts owed by group undertakings	12,702,656	14,881,831
ACT recoverable	7,093	7,093
Other debtors	1,517,325	1,150,280
Prepayments and accrued income	41,125	51,847
	<u>14,359,008</u>	<u>16,182,559</u>

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

Amounts owed by group undertakings	417,254	3,415,443
ACT recoverable	7,093	7,093
	<u>424,347</u>	<u>3,422,536</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2003

10 Creditors: amounts falling due within one year	2003	2002
	£	£
Trade creditors	474,867	609,783
Amounts owed to group undertakings	14,873,940	16,040,659
Other taxes and social security costs	200,700	96,053
Other creditors	126,477	133,137
Dividends payable	400,000	-
Accruals and deferred income	716,039	728,520
	<u>16,792,023</u>	<u>17,608,152</u>

11 Provisions for liabilities and charges

Deferred tax

The Company's accounting policy is set out in Note 1.

	£
At 25 December 2002	(106,289)
Charged to profit & loss account in year	38,572
At 24 December 2003	<u>(67,717)</u>
Representing: Loan interest due to connected parties	<u>(67,717)</u>

Summary

	2003	2002
	£	£
Deferred tax as above	(67,717)	(106,289)
Provision for remedial works	113,000	105,000
	<u>45,283</u>	<u>(1,289)</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2003

12 Share capital	2003	2002
	£	£
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 2002		842,498
Retained profit for the year		459,046
Dividends		(400,000)
Balance at 24 December 2003		<u>901,544</u>
14 Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit for the financial year	459,046	69,194
Dividends	(400,000)	-
Net (reduction in)/addition to shareholders' funds	<u>59,046</u>	<u>69,194</u>
Opening shareholders' funds	844,698	775,504
Closing shareholders' funds	<u>903,744</u>	<u>844,698</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 £99,826 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 2003

18 Related party transactions

Included in creditors payable within one year are loans from the Hargreaves 1997 FURBS in the amount of £348,737 (2002: £348,737). Interest is charged at 3% over Barclays Bank base rate and the amount charged to the profit & loss account in the year was £Nil (2002: £Nil).

Included in creditors payable within one year are loans from Andrew family members and family trusts in the amount of £7,666 (2002: £123,942). 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 (2002: £Nil).

Included within creditors payable within one year is an amount of £39,414 (2002 : £43,810) 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 £1,407,167 (2002: £1,030,976). The loan is interest-free.

During the year, services costing £204,359 were supplied to Mr N H Andrew, a director.

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.