

Hargreaves Construction Company Limited

Directors' Report and Accounts

Year Ended 24 December 2006

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, Lymminster Road
Lymminster
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 2006

The directors present their report and accounts for the year ended 24 December 2006

Directors

The following directors have held office since 25 December 2005

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 2006

Principal activities, business review and future developments (continued)

The profit and loss account is set out on page 4 and shows turnover for the year of £7 961m, an increase of 38%. Profit for the year was £0 109m, a reduction of £0 077m on the previous year, resulting from increased overhead costs and a loss on a non group contract.

The company procures labour and materials, on the basis of reimbursement of related costs and makes a charge for those services. As such activity is mainly on behalf of fellow subsidiary companies, the risks facing the company are small, but its level of activity is linked closely to the demand for the properties developed by those companies.

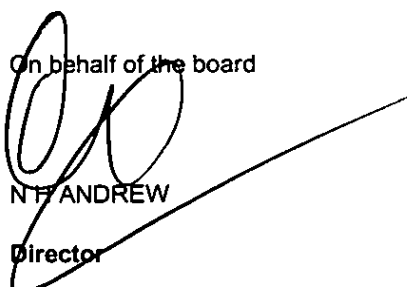
The company's funding is provided through arrangements entered into by the parent company, which provides for such requirements for the whole group.

Auditors

All the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

In accordance with section 385 of the Companies Act 1985, 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 17th October 2007

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 2006 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (United Kingdom and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 24 December 2006,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the financial statements.



BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
London

Date 17 October 2007

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2006

	Notes	2006	2005
		£	£
Turnover	2	7,961,007	5,754,507
Cost of sales		(7,731,705)	(5,447,984)
Gross profit		229,302	306,523
Administrative expenses		(120,000)	(110,000)
Operating profit	3	109,302	196,523
Tax on profit on ordinary activities	5	-	(9,807)
Profit for the year after taxation	11	109,302	186,716

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 2006

			2006	2005
	Notes	£	£	£
Current assets				
Stocks	6	1,642,559	3,156,048	
Debtors	7	45,797,462	26,741,362	
Cash at bank and in hand		158,202	362,160	
		<u>47,598,223</u>	<u>30,259,570</u>	
Creditors amounts falling due within one year	8	<u>(46,200,967)</u>	<u>(28,982,616)</u>	
Net current assets			1,397,256	1,276,954
Provisions for liabilities and charges	9	(145,000)	(145,000)	(134,000)
		<u>1,252,256</u>	<u>1,142,954</u>	
Capital and reserves				
Called up share capital	10	2,200	2,200	2,200
Profit and loss account	11	1,250,056	1,140,754	1,140,754
Shareholders' funds - equity interests	12	<u>1,252,256</u>	<u>1,142,954</u>	

The accounts were approved by the Board on 17th October 2007


N H ANDREW
Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2006

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

1.8 Advance corporation tax

As a result of surplus shadow ACT in the ultimate parent undertaking, the company wrote off its surplus ACT, of £7,093 in 2005.

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 2006

3 Operating profit

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

4 Employees

Number of employees	2006 Number	2005 Number
The average number of employees during the year was		
Administration	1	1
Site operatives	10	13
	<u>11</u>	<u>14</u>
 Employment costs	 £	 £
Wages and salaries	261,576	302,171
Social security costs	26,629	30,214
Other pension costs	4,058	3,677
	<u>292,263</u>	<u>336,062</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

5 Taxation	2006 £	2005 £
U K current year taxation		
U K corporation tax at 19% (2005 - 19%)	-	2,714
 Advance corporation tax		
Advance corporation tax written off	-	7,093
 Deferred tax		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>9,807</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2006

5 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.	2006 £	2005 £
Profit on ordinary activities before tax	<u>109,302</u>	<u>196,523</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2005 - 19.00%)	20,767	37,339
Effect of Group relief (claimed)/surrendered	(20,767)	(34,625)
Current tax charge for year	<u>-</u>	<u>2,714</u>

6 Stocks and work in progress

	2006 £	2005 £
Work in progress	<u>1,642,559</u>	<u>3,156,048</u>

7 Debtors

	2006 £	2005 £
Trade debtors	504,829	366,129
Amounts owed by group undertakings	42,485,763	23,633,850
Other debtors	2,806,870	2,489,084
Prepayments and accrued income	-	252,299
	<u>45,797,462</u>	<u>26,741,362</u>

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

Amounts owed by group undertakings	<u>2,557,375</u>	<u>2,952,077</u>
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Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2006

8 Creditors: amounts falling due within one year	2006	2005
	£	£
Trade creditors	904,046	480,979
Amounts owed to group undertakings	44,070,255	27,808,983
Corporation tax	-	2,714
Other taxes and social security costs	589,963	230,604
Other creditors	81,966	120,346
Accruals and deferred income	554,737	338,990
	<u>46,200,967</u>	<u>28,982,616</u>
 9 Provisions for liabilities and charges		
	2006	2005
	£	£
Provision for remedial works	145,000	134,000
	<u>145,000</u>	<u>134,000</u>
 10 Share capital	2006	2005
	£	£
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>
 11 Statement of movements on profit and loss account		£
Balance at 25 December 2005		1,140,754
Profit for the year		109,302
Balance at 24 December 2006		<u>1,250,056</u>

Hargreaves Construction Company Limited

Notes to the Accounts

Year ended 24 December 2006

12 Reconciliation of movements in shareholders' funds	2006 £	2005 £
Profit for the financial year	109,302	186,716
Net addition to shareholders' funds	109,302	186,716
Opening shareholders' funds	1,142,954	956,238
Closing shareholders' funds	1,252,256	1,142,954

13 Financial commitments

The company has entered into a guarantee in respect of any borrowings with Barclays Bank Plc, of twenty-two fellow group companies. The total borrowings of the group with the bank amounted to £4,060,674 at the balance sheet date.

14 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.

15 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.

16 Related party transactions

Included within creditors payable within one year is an amount of £4,541 (2005 £39,414) in respect of VAT output tax collected on behalf of the Hargreaves Construction 1984 Pension Scheme and payable to HM Revenue and Customs.

Included within debtors are loans to Kentcoast Ltd, a company in which J Hazelwood and R R Andrew have interests, in the amount of £2,731,023 (2005 £2,434,254). The loan is interest-free.

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.