

Hargreaves Construction Company Limited

Directors' Report and Accounts

Year Ended 24 December 2007

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, Lymminster Road
Lymminster
West Sussex
BN17 7QN

Business address

Rustington House
Worthing Road
Rustington
West Sussex
BN16 3PS

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 7EU

Hargreaves Construction Company Limited

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Hargreaves Construction Company Limited

Directors' Report Year ended 24 December 2007

The directors present their report and accounts for the year ended 24 December 2007

Directors

The following directors have held office since 25 December 2006

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, and
- 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 2007

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 £10 003m, an increase of 25%. Profit for the year was £0.095m, a reduction of £0 014m on the previous year. It is expected that turnover for the current year will be significantly lower than in 2007, as a result of reduced demand in both the residential and commercial development sectors.

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.

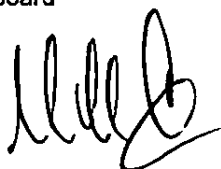
Auditors

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 8th October 2008

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 2007 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. We also report to you if, in our opinion, the Directors' report is not consistent with those 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 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.

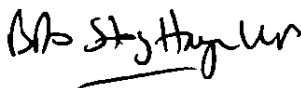
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2007 and of its profit for the year then ended,

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  10 October 2008

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2007

	Notes	2007 £	2006 £
Turnover	2	10,002,904	7,961,007
Cost of sales		(9,787,814)	(7,731,705)
Gross profit		215,090	229,302
Administrative expenses		(120,000)	(120,000)
Profit on ordinary activities before taxation	3	95,090	109,302
Tax on profit on ordinary activities	5	-	-
Profit for the year after taxation	11	95,090	109,302

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 2007

			2007	2006
	Notes	£	£	£
Current assets				
Stocks	6	2,796,639	1,642,559	
Debtors	7	47,252,629	45,797,462	
Cash at bank and in hand		9,271,992	158,202	
		<u>59,321,260</u>	<u>47,598,223</u>	
Creditors amounts falling due within one year	8	(57,826,914)	(46,200,967)	
		<u></u>	<u></u>	
Net current assets			1,494,346	1,397,256
Provisions for liabilities and charges	9	(147,000)	(145,000)	
Net assets		<u>1,347,346</u>	<u>1,252,256</u>	
Capital and reserves				
Called up share capital	10	2,200	2,200	
Profit and loss account	11	1,345,146	1,250,056	
Shareholders' funds - equity interests	12	<u>1,347,346</u>	<u>1,252,256</u>	

The accounts were approved by the Board on 8th October 2008

N H ANDREW

Director



Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2007

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, a fellow group company, 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 2007

3 Operating profit

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

4 Employees

	2007 Number	2006 Number
Number of employees		
The average number of employees during the year was		
Administration	1	1
Site operatives	6	10
	<u>7</u>	<u>11</u>
Employment costs	£	£
Wages and salaries	181,239	261,576
Social security costs	18,981	26,629
Other pension costs	5,631	4,058
	<u>205,851</u>	<u>292,263</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

	2007 £	2006 £
U.K. current year taxation		
U K corporation tax at 19.73% (2006 19%)	<u>-</u>	<u>-</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:	2007 £	2006 £
Profit on ordinary activities before tax	<u>95,090</u>	<u>109,302</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.73% (2006 19.00%)	18,761	20,767
<i>Effect of</i> Group relief claimed	(18,761)	(20,767)
<i>Current tax charge for year</i>	<u>-</u>	<u>-</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2007

6	Stocks and work in progress	2007	2006
		£	£
	Work in progress	<u>2,796,639</u>	<u>1,642,559</u>
7	Debtors	2007	2006
		£	£
	Trade debtors	471,267	504,829
	Amounts owed by group undertakings	42,718,989	42,485,763
	Other debtors	4,061,603	2,806,870
	Prepayments and accrued income	770	-
		<u>47,252,629</u>	<u>45,797,462</u>
	Amounts falling due after more than one year and included in the debtors above are		
	Amounts owed by group undertakings	<u>13,964</u>	<u>2,557,375</u>
8	Creditors: amounts falling due within one year	2007	2006
		£	£
	Trade creditors	436,926	904,046
	Amounts owed to group undertakings	56,303,476	44,070,255
	Other taxes and social security costs	678,399	589,963
	Other creditors	74,034	81,966
	Accruals and deferred income	334,079	554,737
		<u>57,826,914</u>	<u>46,200,967</u>
9	Provisions for liabilities and charges	2007	2006
		£	£
	Provision for remedial works		
	Balance at 25 December 2006	145,000	134,000
	Increase in provision	2,000	11,000
	Balance at 24 December 2007	<u>147,000</u>	<u>145,000</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2007

10 Share capital	2007 £	2006 £
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 2006	1,250,056
Profit for the year	95,090
Balance at 24 December 2007	<u>1,345,146</u>

12 Reconciliation of movements in shareholders' funds	2007 £	2006 £
Profit for the financial year	95,090	109,302
Net addition to shareholders' funds	<u>95,090</u>	<u>109,302</u>
Opening shareholders' funds	1,252,256	1,142,954
Closing shareholders' funds	<u>1,347,346</u>	<u>1,252,256</u>

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 £nil 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.

Hargreaves Construction Company Limited

Notes to the Accounts

Year ended 24 December 2007

16 Related party transactions

Included in turnover is an amount of £4,845,525 (2006 £1,589,047) and included in work in progress is an amount of £257,332 (2006 £39,457) in respect of construction works carried out for the Hargreaves Construction Company Limited 1984 Pension Scheme

Included within creditors payable within one year is an amount of £2 (2006 £4,541) 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 of which J Hazelwood and R R Andrew are directors, in the amount of £3,999,660 (2006 £2,731,023) The loan is interest-free

Included in work in progress is an amount of £387,936 (2006 £nil) in respect of ongoing building works carried out on behalf of Richard Andrew, a director of this company

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