

Hargreaves Construction Company Limited

Directors' Report and Accounts

Year Ended 24 December 2008

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 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 2008

The directors present their report and accounts for the year ended 24 December 2008.

Directors

The following directors have held office since 25 December 2007:

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 2008

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 £3.6m, which is a decrease of 63%. Profit for the year was £0.187m, an increase of 96% on the previous year, although operating profit was down by 71%. Reserves of £1,534,544 are carried forward.

It is expected that both turnover and operating profit for the current year will be at a similar or slightly lower level, as a result of the continued low level of activity in the residential market.

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 LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board



N H ANDREW

Director

Date: ~~10th~~ October 2009

Hargreaves Construction Company Limited

Independent auditors' report 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 2008 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

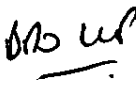
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment 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 2008 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

Date:  October 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registration number OC305127).

Hargreaves Construction Company Limited

Profit and Loss Account Year ended 24 December 2008

	Notes	2008 £	2007 £
Turnover	2	3,645,809	10,002,904
Cost of sales		(3,519,006)	(9,787,814)
Gross profit		126,803	215,090
Administrative expenses		(100,000)	(120,000)
Operating profit	3	26,803	95,090
Interest receivable and similar income	4	160,395	-
Profit on ordinary activities before taxation		187,198	95,090
Tax on profit on ordinary activities	6	-	-
Profit for the year after taxation	12	187,198	95,090

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.

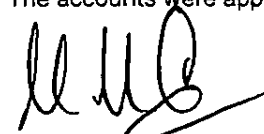
Hargreaves Construction Company Limited

Balance Sheet As at 24 December 2008

Company number 901310

		2008		2007	
	Notes	£	£	£	£
Current assets					
Stocks	7	2,237,592		2,796,639	
Debtors	8	43,569,589		47,252,629	
Cash at bank and in hand		275,200		9,271,992	
		<u>46,082,381</u>		<u>59,321,260</u>	
Creditors: amounts falling due within one year	9	<u>(44,407,837)</u>		<u>(57,826,914)</u>	
Net current assets			1,674,544		1,494,346
Provisions for liabilities and charges	10		(140,000)		(147,000)
Net assets			<u>1,534,544</u>		<u>1,347,346</u>
Capital and reserves					
Called up share capital	11		2,200		2,200
Profit and loss account	12		1,532,344		1,345,146
Shareholders' funds - equity interests	13		<u>1,534,544</u>		<u>1,347,346</u>

The accounts were approved by the Board on 20th October 2009.



N H ANDREW

Director

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2008

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 2008

3 Operating profit

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

4 Other interest receivable and similar income

	2008 £	2007 £
Other interest	<u>160,395</u>	<u>-</u>

5 Employees

	2008 Number	2007 Number
Number of employees		
The average number of employees during the year was:		
Administration	1	1
Site operatives	5	6
	<u>6</u>	<u>7</u>
Employment costs	£	£
Wages and salaries	175,709	181,239
Social security costs	18,063	18,981
Other pension costs	5,157	5,631
	<u>198,929</u>	<u>205,851</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

	2008 £	2007 £
U.K. current year taxation		
U.K. corporation tax at 20.74% (2007: 19.73%)	<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:	2008 £	2007 £
Profit on ordinary activities before tax	<u>187,198</u>	<u>95,090</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.74% (2007: 19.73%)	38,825	18,761
Effect of:		
Group relief claimed	(38,825)	(18,761)
Current tax charge for year	<u>-</u>	<u>-</u>

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2008

7	Stocks and work in progress	2008 £	2007 £
	Work in progress	<u>2,237,592</u>	<u>2,796,639</u>

The directors consider the replacement value of the stock to be the same as the cost stated in these accounts.

8	Debtors	2008 £	2007 £
	Trade debtors	393,428	471,267
	Amounts owed by group undertakings	37,429,868	42,718,989
	Other debtors	5,745,523	4,061,603
	Prepayments and accrued income	770	770
		<u>43,569,589</u>	<u>47,252,629</u>

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

Amounts owed by group undertakings	<u>11,548</u>	<u>13,964</u>
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9	Creditors: amounts falling due within one year	2008 £	2007 £
	Trade creditors	402,119	436,926
	Amounts owed to group undertakings	42,339,200	56,303,476
	Other taxes and social security costs	778,115	678,399
	Other creditors	860,017	74,034
	Accruals and deferred income	28,386	334,079
		<u>44,407,837</u>	<u>57,826,914</u>

10	Provisions for liabilities and charges	2008 £	2007 £
	Provision for remedial works		
	Balance at 25 December 2007	147,000	145,000
	(Decrease)/increase in provision	(7,000)	2,000
	Balance at 24 December 2008	<u>140,000</u>	<u>147,000</u>

This provision is in respect of remedial works to houses built over the last ten years, the amount per house being based on previous costs of such remedial works.

Hargreaves Construction Company Limited

Notes to the Accounts Year ended 24 December 2008

11 Share capital	2008	2007
	£	£
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>
12 Statement of movements on profit and loss account		£
Balance at 25 December 2007		1,345,146
Profit for the year		187,198
Balance at 24 December 2008		<u>1,532,344</u>
13 Reconciliation of movements in shareholders' funds	2008	2007
	£	£
Profit for the financial year	187,198	95,090
Net addition to shareholders' funds	<u>187,198</u>	<u>95,090</u>
Opening shareholders' funds	1,347,346	1,252,256
Closing shareholders' funds	<u>1,534,544</u>	<u>1,347,346</u>
14 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 (2007: £nil) at the balance sheet date.		
15 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.		
16 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 2008

17 Related party transactions

Included in work in progress is an amount of £45,223 (2007: £257,332) and included in other creditors is an amount of £775,000 in respect of construction works carried out for the Hargreaves Construction Company Ltd 1984 Pension Scheme. Included in turnover is an amount of £433,774 (2007: £4,845,525) in respect of those works.

Included in work in progress is an amount of £60,340 (2007: £9,339) in respect of construction works carried out on behalf of N H Andrew, a director of the group. Also included in work in progress is an amount of £nil (2007: £387,936) in respect of building works carried out on behalf of R R Andrew, a director of the group, and included in turnover is an amount of £409,499 (2007: £nil) in respect of those works.

Included within debtors (2007: creditors) payable within in one year is an amount of £27,114 (2007: (£2)) in respect of VAT output tax paid (2007: collected) on behalf of the Hargreaves Construction 1984 Pension Scheme to (2007: from) 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 £5,384,919 (2007: £3,999,660). Interest was credited on these loans at Barclays Bank plc base rate in the amount of £160,395 (2008: £nil).

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.