HART BUILDERS (EDINBURGH) LIMITED

FINANCIAL STATEMENTS

FOR

31ST MARCH 2002

Company Registration Number SC030263

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COMPANIES HOUSE 11/10/02

HART BUILDERS (EDINBURGH) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2002

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HART BUILDERS (EDINBURGH) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	M J Rowley K M Tait R J Kerr J A Dalgarno D M Small
Company secretary	S T Fairclough
Registered office	Macmerry Industrial Estate Macmerry East Lothian EH33 1ET
Auditors	Whitelaw Wells Chartered Accountants & Registered Auditors 9 Ainslie Place Edinburgh EH3 6AT
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	Burness Solicitors 50 Lothian Road Festival Square Edinburgh EH3 9WJ

HART BUILDERS (EDINBURGH) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST MARCH 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be the construction and refurbishment of buildings in its chosen market sector, these are housing, education, health and maintenance works.

Indications are that the current level of opportunities in these markets will be maintained with Hart Builders being well placed to continue to develop their market share.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002	2001
	£	£
Proposed dividends on ordinary shares	**500,000**	150,000

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

M J Rowley
K M Tait
R J Kerr
J A Dalgarno
D M Small

STATEMENT OF EMPLOYEES INVOLVEMENT IN THE COMPANY

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through a variety of formal and informal meetings. At these meetings, employees are consulted on a wide range of matters affecting their future and current interests.

DISABLED PERSONS POLICY

The company gives every consideration to applications for employment from disabled persons or to employees who become disabled where the requirements of the job may be adequately covered by a handicapped or disabled person.

HART BUILDERS (EDINBURGH) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST MARCH 2002

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Whitelaw Wells as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Macmerry Industrial Estate
Macmerry
East Lothian
EH33 1ET

Signed by order of the directors

S T FAIRCLOUGH
Company Secretary

Approved by the directors on 18th September 2002

HART BUILDERS (EDINBURGH) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST MARCH 2002

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 on page 3.

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 responsibilities do not extend to any other information.

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 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 of the state of the company's affairs as at 31st March 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

9 Ainslie Place
Edinburgh

EH3 6AT

WHITELAW WELLS
Chartered Accountants
& Registered Auditors

18th September 2002

HART BUILDERS (EDINBURGH) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST MARCH 2002

	Note	2002 £	2001 £
TURNOVER	2	**32,890,879**	33,848,944
Cost of sales		**30,293,460**	31,646,653
GROSS PROFIT		**2,597,419**	2,202,291
Administrative expenses		**1,969,427**	1,985,388
Other operating income	4	**(12,643)**	(34,304)
OPERATING PROFIT	5	**640,635**	251,207
Interest receivable	8	**286,749**	262,800
Interest payable	9	**(6,096)**	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**921,288**	514,007
Tax on profit on ordinary activities	10	**268,282**	150,492
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**653,006**	363,515
Dividends	11	**500,000**	150,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		**153,006**	213,515
Balance brought forward		**698,576**	485,061
Balance carried forward		**851,582**	698,576

The company has no recognised gains or losses other than the results for the year as set out above.
All of the activities of the company are classed as continuing.

The notes on pages 8 to 15 form part of these financial statements.

HART BUILDERS (EDINBURGH) LIMITED

BALANCE SHEET

31ST MARCH 2002

	Note	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS					
Tangible assets	12		933,727		943,024
Investments	13		2		2
			933,729		943,026
CURRENT ASSETS					
Stocks	14	972,275		283,375	
Debtors	15	9,878,680		8,579,510	
Cash at bank and in hand		1,328,054		338,257	
		12,179,009		9,201,142	
CREDITORS: Amounts falling due within one year	16	11,462,014		8,646,124	
NET CURRENT ASSETS			716,995		555,018
TOTAL ASSETS LESS CURRENT LIABILITIES			1,650,724		1,498,044
CREDITORS: Amounts falling due after more than one year	17		–		326
			1,650,724		1,497,718
CAPITAL AND RESERVES					
Called-up equity share capital	23		400,000		400,000
Revaluation reserve			399,142		399,142
Profit and Loss Account			851,582		698,576
SHAREHOLDERS' FUNDS	24		1,650,724		1,497,718

These financial statements were approved by the directors on the 18th September 2002 and are signed on their behalf by:

M J ROWLEY

J A DALGARNO

The notes on pages 8 to 15 form part of these financial statements.

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the ground that the company is wholly owned and its parent publishes a consolidated cashflow statement.

Turnover

Turnover represents the value of work carried out during the year including amounts not invoiced and excluding value added tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Heritable Property	-	5% straight line
Plant & Machinery	-	12.5% to 15% straight line
Furniture & Fittings	-	15% straight line
Motor Vehicles	-	25% straight line

Depreciation on assets purchased from Group companies is based on the cost to the Group.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

Stocks

Long term contract work in progress

Amounts recoverable on contracts are stated at anticipated sale value after provision for future losses.

Profit on long term contracts is taken as work progresses. The gross profit percentage on each individual contract is the lower of the gross profit percentage earned to date, and that forecast at completion, taking account of agreed claims. Full provision is made for all known or anticipated losses at completion as soon as such losses, if any, are forecast on each contract.

Cash received on account of contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors.

Short term contract work in progress

These are valued at the lower of cost or net realisable value. Cost includes appropriate overheads.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	**32,890,879**	33,848,944

Turnover represents the value of work carried out during the year including amounts not invoiced and excluding value added tax.

3. EXCEPTIONAL ITEM

Approximately £400,000 of provisions for costs on five contracts completed in a previous year was outstanding at 31 March 2001. These were finalised at a significantly lower figure and this amount has been released to the profit and loss account in the year.

4. OTHER OPERATING INCOME

	2002	2001
	£	£
Profit on disposal of fixed assets	**12,643**	34,304

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Depreciation	**157,824**	121,724
Profit on disposal of fixed assets	**(12,643)**	(34,304)
Auditors' remuneration		
- as auditors	**10,918**	10,600
Operating lease costs:		
Plant and equipment	**51,046**	54,015

6. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of production staff	**207**	225
Number of administrative staff	**36**	36
	243	261

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	**4,968,869**	5,080,422
Social security costs	**483,900**	466,111
Other pension costs	**374,521**	168,449
	5,827,290	5,714,982

7. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	**463,627**	375,006

7. DIRECTORS' EMOLUMENTS *(continued)*

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments (excluding pension contributions):	**166,455**	141,958

8. INTEREST RECEIVABLE

	2002	2001
	£	£
Other loan interest receivable	**28,528**	964
Interest from group undertakings	**258,221**	261,836
	286,749	262,800

9. INTEREST PAYABLE

	2002	2001
	£	£
Interest payable on bank borrowing	**196**	–
Other similar charges payable	**5,900**	–
	6,096	–

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	**268,280**	151,501
Adjustment in respect of previous years:		
Under provision in previous year	**2**	(1,009)
Total current tax	**268,282**	150,492
Tax on profit on ordinary activities	**268,282**	150,492

11. DIVIDENDS

The following dividends have been proposed in respect of the year:

	2002	2001
	£	£
Proposed dividend on ordinary shares	**500,000**	150,000

12. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST OR VALUATION					
At 1 April 2001	595,000	759,476	283,337	391,882	2,029,695
Additions	–	27,675	77,792	53,167	158,634
Disposals	–	(78,173)	–	(57,423)	(135,596)
At 31 March 2002	595,000	708,978	361,129	387,626	2,052,733
DEPRECIATION					
At 1 April 2001	–	625,414	214,700	246,557	1,086,671
Charge for the year	21,025	45,583	31,709	59,507	157,824
On disposals	–	(78,173)	–	(47,316)	(125,489)
At 31 March 2002	21,025	592,824	246,409	258,748	1,119,006
NET BOOK VALUE					
At 31 March 2002	573,975	116,154	114,720	128,878	933,727
At 31 March 2001	595,000	134,062	68,637	145,325	943,024

Revaluation of fixed assets
On 5 March 2001 the heritable property was valued by a director of a fellow subsidiary who is a Chartered Surveyor on an open market basis at £595,000.

Hire purchase agreements
Included within the net book value of £933,727 is £2,228 (2001 - £17,232) relating to assets assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £1,910 (2001 - £6,898).

13. INVESTMENTS

	Investment in subsidiary £
COST:	
At 1st April 2001 and 31st March 2002	2
NET BOOK VALUE:	
At 31st March 2002	2
At 31st March 2001	2

The subsidiary company is Hart Project Services Limited which is registered in Scotland and wholly owned.

14. STOCKS

	2002	2001
	£	£
Work in progress	**972,275**	283,375

15. DEBTORS

	2002	2001
	£	£
Trade debtors	**771,748**	1,466,511
Amounts owed by group undertakings	**8,031,848**	6,640,069
VAT recoverable	**64,788**	–
Amounts recoverable on contracts	**998,573**	472,022
Other debtors	**11,723**	908
	9,878,680	8,579,510

16. CREDITORS: Amounts falling due within one year

		2002		2001
		£		£
Payments received on account		**730,231**		785,388
Trade creditors		**8,926,356**		6,707,312
Amounts owed to group undertakings		**73,143**		183,990
Other creditors including taxation and social security:				
Corporation tax	**268,280**		151,501	
PAYE and social security	**145,731**		121,232	
VAT	**–**		104,325	
Hire purchase agreements	**357**		4,896	
Dividends payable	**500,000**		150,000	
Other creditors	**501,109**		55,313	
		1,415,477		587,267
Accruals and deferred income		**316,807**		382,167
		11,462,014		8,646,124

Trade creditors includes amounts due to sub-contractors which will not be paid to them until payment for the relevant work has been received from clients.

17. CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Other creditors:		
Hire purchase agreements	**–**	326

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	357	4,896
Amounts payable between 2 to 5 years	–	326
	357	5,222
Hire purchase agreements are analysed as follows:		
Current obligations	357	4,896
Non-current obligations	–	326
	357	5,222

19. PENSIONS

The company participates in a Group Pension Scheme which is operated by Cruden Investments Limited. The scheme is a defined benefit scheme and the company's contributions to it are based on pension costs across the group as a whole. The assets of the Scheme are held separately from those of the company. The amount of pension costs charged in these accounts is £185,763 (2001 - £152,309). Full disclosure details relating to the scheme are contained in the financial statements of Cruden Investments Limited. The company also contributes to a defined contribution scheme and the amount paid is included in the pension charged in the profit and loss account.

20. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 1 year	157,209	21,653
Within 2 to 5 years	–	125,167
	157,209	146,820

21. CONTINGENCIES

There are contingent liabilities in respect of guarantees under contracting agreements entered into in the normal course of business.

At 31 March 2002 there existed a bond and floating charge over the heritable property and whole undertaking for the obligations of Cruden Investments Limited, the company and a fellow subsidiary.

If the company's heritable property were sold at valuation a capital gains tax liability of approximately £77,000 would arise.

22. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

23. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
5,000,000 Ordinary shares of £0.10 each	**500,000**	500,000

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	**400,000**	400,000

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	**653,006**	363,515
Dividends	**(500,000)**	(150,000)
	153,006	213,515
Opening shareholders' equity funds	**1,497,718**	1,284,203
Closing shareholders' equity funds	**1,650,724**	1,497,718

25. ULTIMATE PARENT COMPANY

The immediate holding company is Cruden Holdings (East) Limited. The ultimate holding company is Cruden Foundation Limited (by guarantee). Both of these companies are incorporated in Great Britain.