

Hart Builders (Edinburgh) Limited

**Directors' report and financial
statements**

Registered number SC030263

31 March 2012

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Directors and advisors

Directors	MJ Rowley DM Small RJ Kerr KD Reid C Macdonald C Jack
Company Secretary	ST Fairclough
Registered office	Macmerry Industrial Estate Macmerry East Lothian EH33 1ET
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	Burness Solicitors 50 Lothian Road Festival Square Edinburgh EH3 9WJ

Directors' report

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2012.

Principal activities

The company's principal activities consist of new build construction, both for clients in the private and public sectors, combined with construction for clients involved in the provision of medical and educational services. There have been no changes in this core business activity during the year and the directors remain focused on continuing to maintain the company's client base in these sectors. In this context, the company's preferred method of securing its workload is through Partnering and framework agreements.

Results

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.

Dividends

Dividends paid during the year comprise an interim dividend in respect of the year ended 31 March 2012 of £1,300,000 (2011: £1,200,000). The directors do not propose the payment of a final dividend (2011: £nil).

Review of the company

As noted on page 6 of the company's profit and loss account, the company's profit for the year before taxation increased on an increased turnover of £48.9 million (2011: £47.5 million). Trading for the foreseeable future appears secure which gives the directors confidence that current levels can be maintained. Following another year of solid trading the company's net asset value now stands at £9.1 million which provides a stable platform for future trading activity.

The principal risks and uncertainties affecting the company arise from its participation in the construction and affordable housing sectors. The current economic conditions, together with the reduction in government funding, has caused project delays that will inevitably impact on future project starts. The board regularly considers these issues and feels that the company is well placed to mitigate their potential impact.

Directors

The directors who served the company during the year and to the date of this report were as follows:

MJ Rowley
DM Small
RJ Kerr
KD Reid
C Macdonald
C Jack

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Directors' report *(continued)*

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.

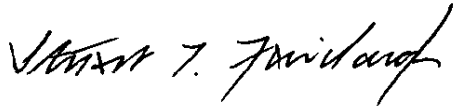
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



ST Fairclough
Secretary

Macmerry Industrial Estate
Macmerry
East Lothian
EH33 1ET
2 July 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of Hart Builders (Edinburgh) Limited

We have audited the financial statements of Hart Builders (Edinburgh) Limited for the year ended 31 March 2012 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

L Bennett

L Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

2 July 2012

Profit and loss account
for the year ended 31 March 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	48,882,053	47,508,618
Cost of sales		(42,901,910)	(41,579,837)
Gross profit		5,980,143	5,928,781
Administration expenses		(2,595,683)	(2,634,518)
Operating profit		3,384,460	3,294,263
Interest receivable and similar income	6	165,802	126,875
Interest payable and similar charges	7	(419)	(16)
Profit on ordinary activities before taxation	3	3,549,843	3,421,122
Tax on profit on ordinary activities	8	(956,199)	(993,563)
Profit for the financial year	20	2,593,644	2,427,559

The results from the year have been derived from continuing activities.

The company has no recognised gains or losses other than the profit for the current and previous year.

Note of historical cost profits and losses
for the year ended 31 March 2012

	2012 £	2011 £
Reported profit on ordinary activities before taxation	3,549,843	3,421,122
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	49,560	42,162
Historical cost profit on ordinary activities before taxation	3,599,403	3,463,284
Historical cost profit for the year retained after taxation	2,643,204	2,469,721

Balance sheet
at 31 March 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	10		1,179,142		1,299,643
Investments	11		378,406		378,406
			<u>1,557,548</u>		<u>1,678,049</u>
Current assets					
Stocks	12	884,831		13,706	
Debtors	13	30,112,820		28,796,438	
Cash at bank and in hand		910		3,348	
			<u>30,998,561</u>	<u>28,813,492</u>	
Creditors: amounts falling due within one year	14	(23,435,946)		(22,669,082)	
Net current assets			<u>7,562,615</u>		<u>6,144,410</u>
Total assets less current liabilities			<u>9,120,163</u>		<u>7,822,459</u>
Provisions for liabilities and charges	15		(26,528)		(22,468)
Net assets			<u>9,093,635</u>		<u>7,799,991</u>
Capital and reserves					
Called up equity share capital	19		400,000		400,000
Revaluation reserve	20		975,881		1,025,441
Profit and loss account	20		7,717,754		6,374,550
Shareholders' funds	21		<u>9,093,635</u>		<u>7,799,991</u>

These financial statements were approved by the board of directors on 2 July 2012 and were signed on its behalf by:



KD Reid
 Director



DM Small
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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. The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 400 of the Companies Act 2006. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Cruden Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and therefore not disclosed transactions or balances with entities that form part of the group. The consolidated accounts of Cruden Holdings Limited, within which this company is included, can be obtained from the address given in note 23.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The group has considerable financial resources together with long-term partnering arrangements with a number of customers. In addition, the company has visibility in its forward workload for the next twelve months with a significant proportion of its construction activity already under contract. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents the value of work carried out during the year excluding value added tax.

Depreciation

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

Freehold property	-	5% straight line
Plant & machinery	-	20% straight line
Furniture & fittings	-	20% to 25% straight line
Motor vehicles	-	25% straight line

Land is not depreciated.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Investments in subsidiary undertakings are stated at cost.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes but not reversed by the balance sheet date except as otherwise required by FRS 19.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Payments in advance are included in creditors and represent payment on account in excess of turnover recognised.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

The turnover and profit before tax are attributable to the principal activity of the company. All turnover originates in the United Kingdom.

3 Profit on ordinary activities before taxation

	2012 £	2011 £
Profit on ordinary activities is stated after charging:		
Depreciation	160,247	169,197
Auditors' remuneration:		
- audit of these financial statements	14,750	16,300
Operating lease costs:		
- hire of plant and equipment	69,873	94,960

Notes (continued)

4 Particulars of employees

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

	2012 Number	2011 Number
Production staff	141	146
Administrative staff	37	38
	178	184

the aggregate payroll costs of the above were:

	2012 £	2011 £
Wages and salaries	6,533,020	6,350,840
Social security costs	592,666	559,534
Other pension costs	348,572	349,431
	7,474,258	7,259,805

5 Directors' emoluments

	2012 £	2011 £
Directors' emoluments	630,097	687,479
Contributions to defined contribution pension schemes	84,029	51,401
	714,126	738,880

The emoluments of the highest paid director were £343,343 (2011: £331,605) and he is a member of a defined benefit pension scheme under which his accrued pension at the year-end was £6,076 (2011: £6,076).

Retirement benefits are accruing to 2 (2011: 2) directors under defined benefit pension schemes, and 2 (2011: 2) directors under defined contribution pension schemes.

6 Interest receivable and similar income

	2012 £	2011 £
Interest from group undertakings	165,802	126,460
Other interest receivable	-	415
	165,802	126,875

Notes (continued)

7 Interest payable and similar charges

	2012 £	2011 £
Interest payable on bank borrowing	13	16
Other interest	406	-
	<u>419</u>	<u>16</u>

8 Tax on profit on ordinary activities

	2012 £	2011 £
Analysis of charge in year:		
<i>UK corporation tax</i>		
Current tax on income for the year	952,139	990,979
Adjustment in respect of prior years	-	183
Total current tax	<u>952,139</u>	<u>991,162</u>
Deferred tax (note 15)		
Origination/reversal of timing differences	5,121	3,743
Adjustment in respect of prior years	-	386
Effect of change in tax rate	(1,061)	(1,728)
Total deferred tax	<u>4,060</u>	<u>2,401</u>
Tax on profit on ordinary activities	<u>956,199</u>	<u>993,563</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2011: higher) than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below.

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,549,843	3,421,122
Current tax at 26% (2011: 28%)	<u>922,959</u>	<u>957,914</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,579	3,629
Difference between capital allowances and depreciation	(3,964)	(4,432)
Depreciation on ineligible assets	29,722	33,179
Disposal of fixed assets	(1,157)	689
Adjustments to tax charge in respect of previous periods	-	183
Total current tax charge (see above)	<u>952,139</u>	<u>991,162</u>

Notes (continued)

8 Tax on profit on ordinary activities (continued)

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

This will reduce the company future current tax charge accordingly. The deferred tax liability at 31 March 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

9 Dividends

	2012 £	2011 £
Interim dividend paid in respect of current year	1,300,000	1,200,000

10 Tangible fixed assets

	Freehold property £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation					
At 31 March 2011	1,150,000	548,843	278,986	200,251	2,178,080
Additions	-	16,126	7,299	16,321	39,746
Disposals	-	-	(20,685)	(21,308)	(41,993)
At 31 March 2012	1,150,000	564,969	265,600	195,264	2,175,833
Depreciation					
At 31 March 2011	50,823	424,766	234,568	168,280	878,437
Charge for the year	58,221	67,511	20,915	13,600	160,247
On disposals	-	-	(20,685)	(21,308)	(41,993)
At 31 March 2012	109,044	492,277	234,798	160,572	996,691
Net book value					
At 31 March 2012	1,040,956	72,692	30,802	34,692	1,179,142
At 31 March 2011	1,099,177	124,077	44,418	31,971	1,299,643

The company's freehold property was valued as at 16 March 2010 by DM Hall, Chartered Surveyors. The property was valued on the basis of existing use value. The valuation was carried out in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual. Included in freehold property is land of £350,000 (2011: £350,000) which is not depreciated.

Notes (continued)

10 Tangible fixed assets (continued)

	£
Historic cost	
Cost at 31 March 2011 and 31 March 2012	173,259
Depreciation	
At 31 March 2011	99,523
Charge for year	8,663
At 31 March 2012	108,186
Net book value	
At 31 March 2012	65,073
At 31 March 2011	73,736

11 Investments

	£
Cost and net book value	
At beginning and end of year	378,406

The company holds 100% of the issued share capital of Hart Properties (Edinburgh) Limited, a company registered in Scotland.

12 Stocks

	2012 £	2011 £
Stocks	14,066	13,706
Work in progress	870,765	-
	884,831	13,706

13 Debtors

	2012 £	2011 £
Trade debtors	3,961,106	4,440,178
Amounts recoverable on contracts	348,313	-
Amounts owed by group undertakings	25,310,411	23,956,014
Other debtors	51,504	31,742
VAT recoverable	419,795	348,771
Prepayments	21,691	19,733
	30,112,820	28,796,438

Notes (continued)

14 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank overdraft (secured)	1,762,682	869,056
Payments received on account	2,566,636	3,399,773
Trade creditors	15,935,853	16,156,243
Amounts owed to group undertakings	833,408	504,185
Corporation tax	499,139	564,979
Other taxation and social security	234,882	195,529
Other creditors	851,383	389,559
Accruals and deferred income	751,963	589,758
	<u>23,435,946</u>	<u>22,669,082</u>

15 Deferred taxation

	£
At beginning of year	22,468
Charge to the profit and loss for the year	5,121
Effect of change in tax rate	(1,061)
	<u>26,528</u>
At end of year	

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £228,572 (2011: £229,431).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company is also a member of a larger group wide pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2010 and was updated for FRS 17 purposes to 31 March 2011 by a qualified independent actuary. The contribution for the year was £120,000 (2011: £120,000).

17 Commitments under operating leases

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land & buildings	
	2012 £	2011 £
Operating leases which expire:		
Within 1 year	30,499	5,944
Between 2 and 5 years	44,484	87,702
More than 5 years	-	-
	<u>74,983</u>	<u>93,646</u>

Notes (continued)

18 Contingent liabilities

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

At 31 March 2012 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.

19 Share capital

	2012 £	2011 £
<i>Authorised share capital</i>		
5,000,000 Ordinary shares of £0.10 each	500,000	500,000
<i>Allotted, called up and fully paid</i>		
4,000,000 Ordinary shares of £0.10 each	400,000	400,000

20 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	1,025,441	6,374,550
Profit for financial year	-	2,593,644
Dividend paid	-	(1,300,000)
Transfer from revaluation reserve	(49,560)	49,560
At end of year	975,881	7,717,754

21 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	2,593,644	2,427,559
Dividends paid	(1,300,000)	(1,200,000)
Net addition to shareholders' funds	1,293,644	1,227,559
Opening shareholders' funds	7,799,991	6,572,432
Closing shareholders' funds	9,093,635	7,799,991

22 Related party transactions

The company has made a car loan of £33,995 to David Small, a director of the company. The loan is interest free and is repayable monthly. At 31 March 2012 £26,288 (2011: £13,189) is outstanding. This balance is included within Other Debtors in note 13.

Notes *(continued)*

23 Immediate and ultimate parent company

The immediate parent company is Cruden Holdings (East) Limited and the ultimate parent company is Cruden (Holdings) Limited, both incorporated in Scotland.

The largest group in which the results of the company are consolidated is that headed by Cruden Holdings Limited. The smallest group in which these are consolidated is that headed by Cruden Holdings (East) Limited. The consolidated accounts of these groups are available to the public and may be obtained from Baberton House, Juniper Green, Edinburgh, EH14 3HN.