

HARCON LIMITED

REGISTERED NUMBER: 901311

DIRECTORS REPORT AND ACCOUNTS

24 DECEMBER 1996

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HARCON LIMITED

DIRECTORS REPORT

The directors submit their report and the accounts for the year ended 24 December 1996.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare accounts on the going concern basis unless it is inappropriate to presume 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 the accounts comply with the Companies Act 1985. They 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.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was property investment and property development.

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.

DIVIDENDS AND APPROPRIATIONS

The directors do not recommend the payment of a dividend, leaving £325,917 to be added to reserves.

DIRECTORS

The directors of the company throughout the year were:

N.H. Andrew
Mrs R. Andrew
J. Hazelwood
R.R. Andrew (appointed 10/06/97)

No director had an interest in the shares of the company.

All the directors were also directors of the ultimate parent company, Hargreaves Property Holdings Limited, and their interests in the shares of that company are disclosed in its own accounts.

HARCON LIMITED

DIRECTORS REPORT

FIXED ASSETS

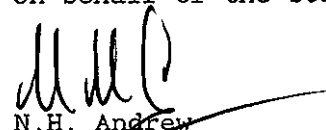
Movements in fixed assets are shown in the notes to the accounts.

The investment property portfolio is valued annually by the directors who are of the opinion that the value of these properties is in excess of the book value.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Moores Rowland as auditors.

On behalf of the board


N.H. Andrew
Director

23 October 1997

AUDITORS REPORT TO THE MEMBERS OF

HARCON LIMITED

We have audited the accounts on pages 4 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

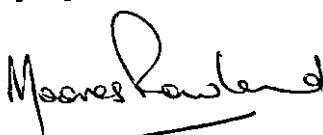
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

QUALIFIED OPINION ARISING FROM THE NON-COMPLIANCE WITH STATEMENT OF STANDARD ACCOUNTING PRACTICE NUMBER 19

As disclosed in note 1 and for the reasons disclosed therein the company has not revalued its investment properties. This is not in accordance with Statement of Standard Accounting Practice Number 19 which states that investment properties should be revalued and included in the balance sheet at their open market value. We are unable to quantify the effects of this departure.

Except for the effects of not revaluing the investment properties, in our opinion the accounts give a true and fair view of the state of the company's affairs at 24 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORES ROWLAND
Chartered Accountants
Registered Auditors

BRIGHTON

24 October 1997

HARCON LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 24 December 1996

	Note	1996	1995
		£	£
NET INCOME FROM INVESTMENT PROPERTIES	2	442,155	543,156
Administrative expenses		(83,688)	(78,412)
		<u>358,467</u>	<u>464,744</u>
Other income	3	3,464	28,232
		<u>361,931</u>	<u>492,976</u>
Interest payable	4	(36,014)	(96,838)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	325,917	396,138
Tax on profit on ordinary activities	6	—	2,501
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>325,917</u>	<u>398,639</u>
Retained profits at 24 December 1995		839,434	440,795
RETAINED PROFITS AT 24 DECEMBER 1996		<u><u>1,165,351</u></u>	<u><u>839,434</u></u>

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit for the year.

HARCON LIMITED

BALANCE SHEET
24 December 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	1,243,153	1,243,153
Investments	8	180,049	176,529
		<u>1,423,202</u>	<u>1,419,682</u>
CURRENT ASSETS			
Debtors	9	161,484	407,597
		<u>161,484</u>	<u>407,597</u>
CREDITORS - amounts falling due within one year	10	(44,335)	(335,471)
		<u>117,149</u>	<u>72,126</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		1,540,351	1,491,808
CREDITORS - amounts falling due after more than one year	11	(135,000)	(412,374)
		<u>1,405,351</u>	<u>1,079,434</u>
CAPITAL AND RESERVES			
Called up share capital	13	240,000	240,000
Profit and loss account		1,165,351	839,434
		<u>1,405,351</u>	<u>1,079,434</u>
Shareholders funds	14	<u>1,405,351</u>	<u>1,079,434</u>

Approved by the board on 23rd October 1997
and signed on its behalf by:


N.H. Andrew
Director

HARCON LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared in accordance with applicable accounting standards, except in the case of investment properties as explained below, and under the historical cost convention.

GROSS RENTAL INCOME

Gross rental income represents the amount receivable by the company exclusive of value added tax and bad debts.

DEFERRED TAXATION

Deferred taxation is calculated by the liability method and provision is made to the extent that it is probable a liability will crystallise.

INVESTMENT PROPERTIES

Investment properties are shown in the balance sheet at cost, but each property is valued annually by the directors who are of the opinion that the values of these properties are in excess of the book cost. This policy is not in accordance with Statement of Standard Accounting Practice No. 19, which requires investment properties to be valued at open market value.

ENDOWMENT INSURANCE POLICIES

Endowment insurance policies are included as fixed asset investments. No adjustment is made to reflect the difference between cost and surrender value at the period end as it is the company's intention to hold the policies to maturity.

2 NET INCOME FROM INVESTMENT PROPERTIES

	1996	1995
	£	£
Gross rental income (net of bad debts)	453,075	554,076
Ground rents	10,920	10,920
	(10,920)	(10,920)
	<u>442,155</u>	<u>543,156</u>

3 OTHER INCOME

	1996	1995
	£	£
Profit on maturity of endowment policies	—	27,184
Interest receivable	3,464	1,048
	<u>3,464</u>	<u>28,232</u>

HARCON LIMITED

NOTES TO THE ACCOUNTS
Year ended 24 December 1996

4	INTEREST PAYABLE	1996 £	1995 £
	On borrowings wholly repayable within 5 years:		
	Bank loans, overdrafts and other loans by instalments	19,130	51,865
	Bank loans, overdrafts and other loans not by instalments	16,884	44,973
		<u>36,014</u>	<u>96,838</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after charging:

	1996	1995
	£	£
Auditors remuneration	<u>3,500</u>	<u>3,300</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Corporation tax recoverable	<u>—</u>	<u>(2,501)</u>
	<u>—</u>	<u>(2,501)</u>

The above is stated after allowing for the surrender of losses that should be available from other group companies under the group relief provisions.

7 TANGIBLE FIXED ASSETS

	Freehold investment properties £	Long leasehold investment properties £	Total £
Cost			
At 25 December 1995 and 24 December 1996	<u>1,209,153</u>	<u>34,000</u>	<u>1,243,153</u>
Net book value			
At 24 December 1996	<u>1,209,153</u>	<u>34,000</u>	<u>1,243,153</u>
At 24 December 1995	<u>1,209,153</u>	<u>34,000</u>	<u>1,243,153</u>

HARCON LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

8 INVESTMENTS

	1996	1995
	£	£
Related undertakings	97,324	97,324
Endowment insurance policies	82,725	79,205
	<u>180,049</u>	<u>176,529</u>

Investment in related undertaking £

At 25 December 1995 and

At 24 December 1996

97,324

Details of the related undertakings at the balance sheet date are as follows:

Name of undertaking and business	Class of Shares	Holding %	Year end
Vanstian Limited			
Property investment	10% Preference	20.65	24 December

The related undertaking is registered in England and Wales

Endowment insurance policies	£
At 25 December 1995	79,205
Additions	3,520
	<u>82,725</u>
At 24 December 1996	

Endowment insurance policies on the lives of Mr N.H. Andrew and Mrs R. Andrew; the book value being the premiums paid to the balance sheet date. (Surrender value 24 December 1996 :£115,011). These policies are to provide towards the repayment of mortgages secured on investment property and are charged in security for those mortgages.

9 DEBTORS

	1996	1995
	£	£
Amounts owed by group undertakings	161,484	344,843
Advance corporation tax recoverable	—	62,706
Other debtors	—	48
	<u>161,484</u>	<u>407,597</u>

HARCON LIMITED

NOTES TO THE ACCOUNTS
Year ended 24 December 1996

10 CREDITORS - amounts falling due within one year	1996	1995
	£	£
Bank overdraft	7,200	245,725
Mortgages	—	47,829
Rents received in advance	1,533	—
Amounts owed to group undertakings	22,575	22,542
Other taxes and social security	7,453	10,422
Accrued mortgage interest	5,574	8,953
	<u>44,335</u>	<u>335,471</u>

11 CREDITORS - amounts falling due after more than one year	1996	1995
	£	£
Mortgages on freehold investment property	<u>135,000</u>	<u>412,374</u>

These mortgages carry fixed interest rates (unless otherwise stated) and are repayable as follows:

Between 1-2 years - by instalments:		
14.01%-16.00%	—	54,764
Between 1-2 years - not by instalments:		
10.01%-12.00%	<u>135,000</u>	<u>—</u>
	<u>135,000</u>	<u>54,764</u>

Between 2-5 years - by instalments:		
14.01%-16.00%	—	222,610
Between 2-5 years - not by instalments:		
10.01%-12.00%	<u>—</u>	<u>135,000</u>
	<u>—</u>	<u>357,610</u>

After 5 years - by instalments:		
14.01%-16.00%	<u>—</u>	<u>—</u>
	<u>135,000</u>	<u>412,374</u>

HARCON LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

12 PROVISIONS FOR LIABILITIES AND CHARGES

- Deferred taxation arises from timing differences between the accounting and taxation treatment of various items.

Industrial buildings and other capital allowances have been claimed to 24 December 1996, of which £590,707 has been offset against the company's taxable profits or surrendered to other group companies. It is not the company's policy or intention to sell the relevant properties and therefore no provision for deferred taxation has been made in these accounts. However, if the relevant properties were sold at balance sheet value, tax at 33% (1995 : 33%) of £194,933 (1995 : £191,979) could become payable in respect of these and other associated timing differences.

13 SHARE CAPITAL

	1996	1995
	£	£
Authorised, allotted and fully paid: 240,000 Ordinary shares of £1 each	<u>240,000</u>	<u>240,000</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1996	1995
	£	£
Profit on ordinary activities after taxation	325,917	398,639
Opening shareholders funds	<u>1,079,434</u>	<u>680,795</u>
Closing shareholders funds	<u>1,405,351</u>	<u>1,079,434</u>

15 OTHER FINANCIAL COMMITMENTS

The company has entered into a guarantee in respect of any borrowings with Barclays Bank PLC, of ten fellow group companies. The total of these borrowings with the bank of these ten fellow companies amounted to £7,172,257 at the balance sheet date.

Property costing £714,886, and a floating charge over the company's assets has been used as security for borrowings from Barclays Bank PLC and others, of this company and its fellow group undertakings, in addition to those properties charged in respect of mortgages shown in the balance sheet.

16 ULTIMATE PARENT COMPANY

The directors consider that the ultimate parent company is Hargreaves Property Holdings Limited which is registered in England and Wales.

HARCON LIMITED

NOTES TO THE ACCOUNTS

Year ended 24 December 1996

17 COMPARATIVE FIGURES

- The comparative figures in the profit and loss account are in respect of the year from 1 January 1995 to 24 December 1995.