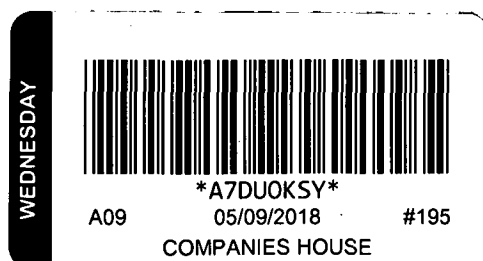


Harcon Limited

Directors' Report and Financial Statements

Year Ended 24 December 2017

Company Registration No. 00901311 (England and Wales)



Harcon Limited

Company Information

Directors

R Andrew
J Hazelwood
R R Andrew

Secretary

P L Hamilton

Company number

00901311

Registered office

Kingston Manor
Kingston Gorse
West Sussex
BN16 1RR

Business address

Rustington House
Worthing Road
Rustington
West Sussex
BN16 3PS

Auditors

Kreston Reeves LLP
Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

Harcon Limited

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Harcon Limited

Directors' Report Year ended 24 December 2017

The directors present their report and the financial statements for the year ended 24 December 2017.

Directors

The following directors have held office since 25 December 2016:

R Andrew
J Hazelwood
R R Andrew

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 accounts comply with the Companies Act 2006. 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 activities, business review and future developments

The company's principal business activity is property investment and 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.

Harcon Limited

Directors' Report Year ended 24 December 2017

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 audit information of which the auditors are unaware.

Kreston Reeves LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next directors' meeting.

In preparing this report, the directors have taken advantage of the small companies' exemption of section 415A of the Companies Act 2006.

On behalf of the board

R R ANDREW

Director

Date: 28 August 2018

Harcon Limited

Independent Auditors' Report to the Members of Harcon Limited

Opinion

We have audited the financial statements of Harcon Limited (the 'company') for the year ended 24 December 2017 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 December 2017, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

As disclosed in note 2.10, the company has not provided for a deferred tax liability in respect of timing differences that arise from accelerated capital allowances being available on its investment properties. This is not in accordance with FRS 102 – Section 29 which states that deferred tax should be recognised on such timing differences. At the balance sheet date, the amount of unprovided deferred tax on these timing differences was £2,193 (2016 - £2,225). The inclusion of the deferred tax liability in full in the 2017 financial statements would have decreased the reported profit on ordinary activities after taxation, and reduced retained earnings, by £2,193.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Harcon Limited

Independent Auditors' Report to the Members of Harcon Limited - continued

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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.



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Graham Hunt BA FCA (Senior Statutory Auditor)
For and on behalf of Kreston Reeves LLP, Statutory Auditor
Horsham, West Sussex, RH12 2RG

Date: 31 August 2018

Harcon Limited

Statement of Income and Retained Earnings Year ended 24 December 2017

	Notes	2017 £	2016 £
Turnover		584,519	521,156
Property expenses		-	-
Net income from property		584,519	521,156
Administrative expenses		(150,000)	(150,000)
Operating profit		434,519	371,156
Other interest receivable and similar income		489	-
Profit on ordinary activities before taxation		435,008	371,156
Taxation on profit on ordinary activities	5	-	(1,426,269)
Profit/(loss) for the financial year		435,008	(1,055,113)
Opening retained earnings		92,705	1,447,818
Dividends paid		-	(300,000)
Closing retained earnings		<u>527,713</u>	<u>92,705</u>

There was no other comprehensive income for the year (2016: £nil), other than that reported above, all of which relates to the continuing activities of the company.

The notes on pages 7 to 12 form part of these financial statements.

Harcon Limited

Balance Sheet As at 24 December 2017

Company number 00901311

	Notes	£	2017 £	£	2016 £
Fixed Assets					
Property, plant and equipment	6		1,209,153		1,209,153
Financial assets	7		97,324		97,324
			<u>1,306,477</u>		<u>1,306,477</u>
Current assets					
Debtors	8	-		975,001	
Creditors: amounts falling due within one year	9	(538,764)		(1,948,773)	
			<u>(538,764)</u>		<u>(973,772)</u>
Net current liabilities					
			<u>767,713</u>		<u>332,705</u>
Net assets					
Capital and reserves					
Called up share capital	10		240,000		240,000
Profit and loss account			527,713		92,705
			<u>767,713</u>		<u>332,705</u>
Shareholders' funds					

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities, and were approved and authorised for issue by the Board on 28 August 2018.

R R ANDREW

Director

The notes on pages 7 to 12 form part of these financial statements.

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

1 General information

Harcon Limited is a company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office and principal place of business is given on the company information page.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland, including Section 1A - small entities ("FRS 102"), and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention.

The financial statements are presented in 'sterling', which is the functional currency of the company and all amounts are rounded to the nearest £1.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

2.2 Revenue

Turnover represents gross amounts receivable by the company, under operating leases adjusted for lease incentives, excluding VAT and arising wholly within the United Kingdom. Lease incentives are recognised as an integral part of the net consideration for the leased properties and amortised on a straight line basis over the term of the lease.

Turnover excludes service charges and other costs directly recoverable from tenants.

Turnover-based rents and indexed rents are recognised as turnover in the periods in which they are earned. Rent reviews are recognised when the rent review deed has been agreed with the tenant.

2.3 Expenditure

Irrecoverable running costs directly attributable to specific properties are charged to profit or loss on an accruals basis. Cost incurred on the refurbishment of properties which, in the opinion of the directors, are not of a capital nature are written off to profit or loss on an accruals basis.

Costs not directly attributable to individual properties are charged to profit or loss as administrative expenditure.

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

2.4 Property, plant and equipment

Investment property is accounted for using the cost model in accordance with Section 17 of FRS 102, on the basis that, in the directors' opinion and in accordance with Section 16.7 of FRS 102, the fair value of investment property cannot be measured reliably without incurring undue cost or effort.

Property, plant and equipment under the cost model is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets, the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation is charged, where applicable, so as to allocate the cost of assets, less their estimated residual values, over their estimated useful lives as shown below.

Depreciation is provided on the following basis:

Freehold investment property	- If determinable, over the remaining useful life of the asset where estimated residual value is expected to be less than the lower of carrying value or historical cost.
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The assets residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

If the directors consider the realisable value has fallen permanently below cost, their opinion of realisable value is used and any impairment is taken to profit or loss.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income and losses or administrative expenses in the statement of income and retained earnings.

2.5 Financial assets

Investments in subsidiaries are measured at cost less accumulated impairment, as in the opinion of the directors their fair value cannot be measured reliably.

2.6 Debtors

Debtors receivable within one year and with no stated interest rate are initially recognised at the transaction price.

2.7 Financial instruments

The company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities.

Basic debt instruments are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment, which, if found, is recognised as an impairment loss in profit or loss.

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

2.8 Creditors

Creditors payable within one year and with no stated interest rate are initially recognised at the transaction price.

2.9 Dividends

Equity dividends are recognised when paid.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is the tax payable or receivable in respect of taxable profit for the current and previous reporting period. The charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax represents future tax consequences of items recognised in the current and previous periods. Timing differences are differences between taxable profit and total comprehensive income as stated in the financial statements.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

As a result of the group's long-standing policy of retaining investment properties for the long term, in the directors' opinion, no timing differences arise in respect of accelerated capital allowances relating to such properties. Consequently, no provision is made for a deferred tax liability in respect of such accelerated capital allowances, which, if made, would be unlikely ever to be reversed and would, therefore, not represent a true and fair view.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date, or that are expected to apply at the date of reversal of the timing difference.

2.11 Going concern

As an ongoing part of the management of the affairs of the company, detailed forecasts and projections are prepared. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, in the opinion of the directors, these financial statements may validly be prepared on a going concern basis.

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make estimates, judgements and assumptions when accounting for individual entries in accordance with stated accounting policies. These decisions are made at the time the financial statements are prepared and approved and are based on experience and knowledge of the detailed facts, taking a reasonable view at the time. Actual results could differ from these estimates and judgements, in which case any variance is reflected within the accounting records once it becomes apparent. Information about such judgements and estimation is contained in the accounting policies or the notes to the financial statements and the key areas are summarised below.

Investment properties

Investment property is accounted for using the cost model. In adopting this policy, the directors have made the following judgements and estimates:

- To obtain external valuations would incur undue cost and effort;
- Estimates of property values are used to determine whether impairments are necessary. These estimates take account of prevailing market conditions and other relevant factors.

Residual values

The directors consider the useful life of investment property assets extend far into the future, which makes estimates of residual values very difficult to any degree of accuracy.

4 Employees

Number of employees

There were no employees during the year apart from the directors. There were no emoluments paid to the directors in the current or the previous year.

5 Taxation on profit on ordinary activities

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	-	-
Payment to a fellow subsidiary for group relief	-	1,426,269
	<hr/>	<hr/>
Total current tax	-	1,426,269
	<hr/>	<hr/>
Taxation on profit on ordinary activities	-	1,426,269

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

5 Taxation on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax charge for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.27% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	435,008	371,156
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.27% (2016: 20%)	83,826	74,231
<i>Effect of:</i>		
Group relief claimed	(83,826)	(74,231)
Payment to a fellow subsidiary for group relief	-	1,426,269
Total tax charge for the year	-	1,426,269

6 Property, plant and equipment

Freehold
investment
properties
£

Cost

At 25 December 2016 & at 24 December 2017

1,209,153

7 Financial assets

Shares in
unlisted
investments
£

Cost

At 25 December 2016 & at 24 December 2017

97,324

The investment represents a 20.65% holding of 10% Preference shares in Vanstian Limited, a fellow group company registered in England and Wales.

8 Debtors

2017
£

2016
£

Rents receivable

- 1

Amounts owed by group undertakings

- 975,000

- 975,001

Harcon Limited

Notes to the Financial Statements Year ended 24 December 2017

9	Creditors: amounts falling due within one year	2017 £	2016 £
	Amounts owed to group undertakings	481,734	1,853,043
	Other taxes and social security costs	7,453	7,453
	Other creditors	48,327	48,327
	Rents received in advance	1,250	39,950
		<u>538,764</u>	<u>1,948,773</u>

10	Share capital	2017 £	2016 £
	Allotted, called up and fully paid		
	240,000 Ordinary shares of £1 each	<u>240,000</u>	<u>240,000</u>

11 Financial commitments

The company has entered into a guarantee in respect of any borrowings with Barclays Bank Plc, of nineteen fellow group companies. The total borrowings of the group with the bank amounted to £nil (2016: £nil) at the balance sheet date.

12 Ultimate parent company

The immediate parent of the company is Hargreaves Group Holdings Limited. The UK parent of the largest and smallest group financial statements that consolidate the company is Hargreaves Property Holdings Limited which is registered in England and Wales, whose registered office is, Kingston Manor, Kingston Gorse, West Sussex, BN16 1RR. These group financial statements are available to the public from Companies House. The ultimate parent company is Hargreaves Property Holdings (2015) Limited which is registered in Guernsey.

13 Related party transactions

The company is a wholly owned subsidiary of Hargreaves Property Holdings (2015) Limited and has taken advantage of the exemption conferred by the provisions of FRS 102 Section 1A - small entities, not to disclose transactions with Hargreaves Property Holdings (2015) Limited or wholly owned subsidiaries within the group.