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Hillreed Properties Limited

Report and Financial Statements

Year Ended

30 June 2002



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BDO Stoy Hayward
Chartered Accountants

Hillreed Properties Limited

Annual report and financial statements for the year ended 30 June 2002

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Directors

A J Hillier
C M Creed

Secretary and registered office

C Roberts, Hillreed House, 60 College Road, Maidstone, Kent, ME15 6SJ

Company number

1847448

Auditors

BDO Stoy Hayward, Connaught House, Alexandra Terrace
Guildford, Surrey, GU1 3DA

Report of the directors for the year ended 30 June 2002

The directors present their report together with the audited financial statements for the year ended 30 June 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is purchase and sale of land and property.

Directors

The directors of the company during the year were:

A J Hillier
C M Creed

No director had any beneficial interest in the share capital of the company. The directors' interest in the share capital of Hillreed Holdings Limited, the ultimate parent undertaking, are disclosed in the financial statements of that company.

The director who retires by rotation is C M Creed who, being eligible, offers himself for re-election.

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 and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 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. 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.

Hillreed Properties Limited

Report of the directors for the year ended 30 June 2002 (*Continued*)

Auditors

BDO Stoy Hayward were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'C Roberts', written over a horizontal line.

Secretary

C Roberts

Date: 4 November 2002

Report of the independent auditors

To the shareholders of Hillreed Properties Limited

We have audited the financial statements of Hillreed Properties Limited for the year ended 30 June 2002 on pages 5 to 11 which have been prepared under the accounting policies set out on page 7 to 8.

Respective responsibilities of directors and 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.

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.

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.

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Guildford

Date: 7 November 2002

Hillreed Properties Limited**Profit and loss account for the year ended 30 June 2002**

	Note	2002 £	2001 £
Turnover	2	3,382,449	8,124,000
Other operating income		15,438	875
		<hr/>	<hr/>
		3,397,887	8,124,875
Raw materials and consumables including land		3,267,409	7,268,710
Other external charges		60,217	56,092
Other operating charges		11,256	7,449
		<hr/>	<hr/>
Operating profit	3	59,005	792,624
Other interest receivable and similar income		101	1,381
Interest payable and similar charges	4	(20,545)	(33,449)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		38,561	760,556
Taxation on profit on ordinary activities	5	8,286	228,167
		<hr/>	<hr/>
Profit on ordinary activities after taxation		30,275	532,389
Accumulated loss brought forward		(746,663)	(1,279,052)
		<hr/>	<hr/>
Accumulated loss carried forward		(716,388)	(746,663)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 7 to 11 form part of these financial statements.

Hillreed Properties Limited**Balance sheet at 30 June 2002**

	Note	2002 £	2002 £	2001 £	2001 £
Current assets					
Stocks	6	2,680,480		2,923,278	
Debtors	7	728,021		26,071	
Cash at bank and in hand		287		-	
		<u>3,408,788</u>		<u>2,949,349</u>	
Creditors: amounts falling due within one year	8	<u>4,125,174</u>		<u>3,696,010</u>	
Total assets less current liabilities			(716,386)		(746,661)
Capital and reserves					
Called up share capital	9		2		2
Profit and loss account	10		(716,388)		(746,663)
Equity shareholders' funds			(716,386)		(746,661)

The financial statements were approved by the Board on 4 November 2002

A J Hillier
Director



The notes on pages 7 to 11 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Hillreed Holdings Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents the gross proceeds of houses on which contracts for sale have been exchanged during the year, land sales and other work done.

Stocks

Land and buildings held for resale and development are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the stock to its condition at the balance sheet date. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

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:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- 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 arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosure', not to disclose transactions with members or investees of the group headed by Hillreed Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Hillreed Properties Limited

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

1 Accounting policies (continued)

Going Concern

The company accounts reflect an excess of liabilities over assets. The parent undertaking is the company's principal creditor, and it has, together with certain fellow subsidiary undertakings, guaranteed the bank borrowing. The directors have prepared the financial statements on the going concern basis given the continuing support of the parent undertaking.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

	2002 £	2001 £
This is arrived at after charging:		
Audit services	1,152	732

No directors received any remuneration during the period.

4 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	20,545	33,449

5 Taxation on profit on ordinary activities

	2002 £	2001 £
<i>Current tax</i>		
UK corporation tax on profits of the year	8,286	228,167

Hillreed Properties Limited

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

5 Taxation on profit on ordinary activities (continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	38,561	760,556
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.49% (2001 - 30%)	8,286	228,167
Current tax charge for period	8,286	228,167

6 Stocks

	2002 £	2001 £
Land and buildings held for resale and development	2,680,480	2,923,278

7 Debtors

	2002 £	2001 £
Trade debtors	702,000	-
Equity debtors	24,771	24,771
Prepayments and accrued income	1,250	1,300
	728,021	26,071

All amounts shown under debtors fall due for payment within one year.

The equity debtors are interest free loans extended to buyers of second hand houses and are secured by second charges over those properties. These loans are repayable at the earlier of the period defined in the contract or the disposal of the property.

Hillreed Properties Limited

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

8 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (secured)	803,600	752,532
Trade creditors	996,843	762,990
Amounts owed to group undertakings	2,314,627	1,950,560
Taxation and social security	8,286	228,167
Accruals and deferred income	1,818	1,761
	<u>4,125,174</u>	<u>3,696,010</u>

The bank loans and overdraft are secured on land and buildings owned by the company, and by guarantees given by the parent undertaking and certain fellow subsidiary undertakings.

9 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>2</u>	<u>2</u>

10 Reserves

	Profit and loss account £
At 1 July 2001	(746,663)
Profit for the year	<u>30,275</u>
At 30 June 2002	<u>(716,388)</u>

Hillreed Properties Limited

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

11 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the year	30,275	532,389
Opening shareholders' funds	(746,661)	(1,279,050)
Closing shareholders' funds	<u>(716,386)</u>	<u>(746,661)</u>

12 Contingent liabilities

Unlimited cross guarantees have been given to Barclays Bank Plc by the company in respect of group banking facilities, indemnities and negotiations.

13 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Hillreed Holdings Limited which is the ultimate parent company incorporated in England & Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Hillreed Holdings Limited. The consolidated accounts of this company are available to the public at the following address: -

The Registrar of Companies
Companies House
3 Crown Way
Cardiff
CF4 3UZ