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COMPANY NUMBER 05826447

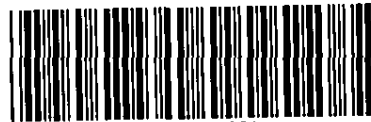
HVL Neath Limited

Report and Financial Statements

Year Ended

31 December 2007

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BDO

BDO Stoy Hayward
Chartered Accountants

HVL Neath Limited

Annual report and financial statements for the year ended 31 December 2007

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Directors

P Jacobs
P J Saunders

Secretary and registered office

P Jacobs, Philip House, 1A Spur Road, Orpington, Kent, BR6 0PH

Company number

05826447

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

HVL Neath Limited

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Results

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

The directors do not recommend the payment of a final dividend (2006 - £Nil)

Principal activities and review of the business

The company's principal activity is that of property investment

The results for the period and financial position of the company at 31 December 2007 are as shown in the annexed financial statements

Both the results for the period, and the period end financial position were satisfactory. The directors consider future prospects to be satisfactory

Directors

The directors of the company during the period were

P Jacobs
P J Saunders

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and the United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period 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 period. 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,
- state whether applicable 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

HVL Neath Limited

Report of the directors for the year ended 31 December 2007 *(Continued)*

Directors' responsibilities *(Continued)*

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.

Auditors

All of the current directors have taken all the steps that 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.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board

P Jacobs
Secretary



19 September 2008

HVL Neath Limited

Report of the independent auditors

To the Shareholders of HVL Neath Limited

We have audited the financial statements of HVL Neath Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

HVL Neath Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

Date

22/09/08

HVL Neath Limited

Profit and loss account for the year to 31 December 2007

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Turnover	2	86,356	18,068
Administrative expenses		7,574	3,585
Operating profit	3	78,782	14,483
Other interest receivable and similar income		2,664	104
Interest payable and similar charges		(104,867)	(37,145)
Loss on ordinary activities before taxation		(23,421)	(22,558)
Taxation on profit from ordinary activities	4	21	(6,752)
Loss on ordinary activities after taxation		(23,442)	(15,806)

All amounts relate to continuing activities

All recognised gains and losses in the current period are included in the profit and loss account

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

HVL Neath Limited

Balance sheet at 31 December 2007

	Note	31 December 2007 £	31 December 2007 £	31 December 2006 £	31 December 2006 £
Fixed assets					
Tangible assets	5		2,219,922		2,279,431
Current assets					
Debtors	6	142,494		34,459	
Cash at bank and in hand		87,033		55,065	
			229,527	89,524	
Creditors: amounts falling due within one year	7	813,696		709,760	
Net current liabilities			(584,169)		(620,236)
Total assets less current liabilities			1,635,753		1,659,195
Creditors: amounts falling due after more than one year	8		1,675,000		1,675,000
Net liabilities			(39,247)		(15,805)
Capital and reserves					
Called up share capital	9		1		1
Profit and loss account			(39,248)		(15,806)
Equity shareholders' deficit	10		(39,247)		(15,805)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board and authorised for issue on 19 September 2008


P J Saunders
Director

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

HVL Neath Limited

Notes forming part of the financial statements for the year ended 31 December 2007

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:

Joint ventures

An entity is treated as a joint venture where the company holds a long term interest and shares control under a contractual agreement.

The company's interest in its joint ventures are accounted for using the equity method of accounting. The reporting dates of the joint venture and the company are identical and the accounts are prepared on the basis of consistent accounting policies.

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 it is a 'small' company under the Companies Act 1985.

Turnover

Turnover represents the rental income receivable, service charges and other recoveries from investment properties in the United Kingdom.

In circumstances where a tenant has been given an incentive to enter into a lease by way of a payment, the incentive is treated as a reduction in rental income. The incentive is amortised on a straight line basis over the period from term commencement to the date of the first rent review, in accordance with UITF 28. Where an incentive is given to a tenant by way of a rent free period, the total rental income receivable for the period to the first rent review is recognised on a straight-line basis from term commencement to the date of the first rent review, in accordance with UITF 28.

Investment properties

In accordance with SSAP 19 investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

HVL Neath Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

1 Accounting policies (*Continued*)

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 to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

2 Turnover

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

3 Operating profit

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
This is arrived at after charging		
Audit services	1,350	1,250
	<u> </u>	<u> </u>

4 Taxation on profit from ordinary activities

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
<i>UK corporation tax</i>		
Current tax on losses of the period	21	(6,752)
	<u> </u>	<u> </u>

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

HVL Neath Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

4 Taxation on profit from ordinary activities (*Continued*)

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
(Loss) on ordinary activities before tax	(23,421)	(22,558)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 30%	(7,026)	(6,767)
<i>Effects of</i>		
Expenses not deductible for tax	7,047	15
Group relief claim	(21)	(6,752)
Payments for group relief	21	6,752
Current tax charge for period	21	(6,752)

5 Tangible fixed assets

	Land and buildings £
<i>Cost</i>	
At 1 January 2007	2,279,431
Reclassification	(150,000)
Additions	90,491
At 31 December 2007	<u>2,219,922</u>

6 Debtors

	31 December 2007 £	31 December 2006 £
Other debtors	126,509	13,906
Prepayments	15,985	20,553
	<u>142,494</u>	<u>34,459</u>

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

HVL Neath Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

7 Creditors amounts falling due within one year

	31 December 2007 £	31 December 2006 £
Amounts due to group undertakings	751,279	676,258
Other creditors	6,732	766
Taxation and social security	6,291	
Accruals	49,394	32,736
	813,696	709,760

8 Creditors: amounts falling due after more than one year

	31 December 2007 £	31 December 2006 £
Bank loan	1,675,000	1,675,000
	1,675,000	1,675,000
Maturity of debt	Loans 2007 £	Loans 2006 £
In one year or less, or on demand	-	-
	1,675,000	1,675,000

The bank loans are interest only and repayable in more than 5 years and are secured on investment properties and by a fixed and floating charge over all the current and future assets of the company. The company has entered into interest rate swaps fixing Libor at a rate of 5.18%.

9 Share capital

	Authorised 2007 £	Authorised 2006 £	Allotted, called up fully paid 2007 £	Allotted, called up fully paid 2006 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	100	100	1	1
	100	100	1	1

HVL Neath Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

10 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Loss for the year	(23,442)	(15,806)
Issue of shares	-	1
Net addition to shareholders' funds	(23,442)	(15,805)
Opening shareholders' funds	(15,805)	-
Closing shareholders' deficit	(39,247)	(15,805)

11 Related party disclosures

Included within amounts due from group undertakings is a balance of £751,258 (2006 - £676,258) due to Harris Ventures Limited the parent company

During the year rent of £62,425 (2006 - £Nil) was receivable from Carpetright plc Lord Harris and Martin Harris are directors and shareholders of Carpetright plc and Harris Ventures Limited

Controlling parties

The company is a wholly owned subsidiary of Harris Ventures Limited, a company incorporated in England and Wales

The ultimate controlling party is considered to be Lord Harris of Peckham, by virtue of his interest in the Harris Ventures Limited

12 Going concern

A going concern basis has been used notwithstanding the net liabilities, on the net basis that the member companies have undertaken to provide such financial support as may be required for the continuation of the partnership's business for at least twelve months from the date of approval of these accounts