

Clear direction,  
effective  
management  
and a highly  
professional  
workforce



HIGGINS GROUP PLC

ANNUAL REPORT  
2011

## 1960's



Education, Science block, Rainham Secondary School

## 1970's



Refurbishment Works, Chelsea Manor Buildings, Chelsea

## 1980's



New Build, Richard's Place, London

## 1990's



Sheltered Care Homes, Limewood Court, Ilford

## 2000's



Sheltered Care Homes, Huntingfields

## 2010's



Education, Science Block, Latymer Upper School



## 2010's



Refurbishment Works, Brockley PFI

## 2010's



New Build, Aqua Vista

# 1961–2011

## 50 years of delivering quality for the communities in which we work.

2010's



Refurbishment,  
The Old Hospital, Maidstone

2010's



New Build - Private Development,  
Pavilions

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## Directors and Corporate Information

### **Directors**

R G Higgins ACIOB (Chairman)  
S P Higgins BA  
M J Higgins  
P H Lewellen BSc FCA

### **Secretary**

P H Lewellen BSc FCA

### **Registered Office**

One Langston Road  
Loughton  
Essex IG10 3SD

### **Registered Number**

2348986

### **Group Websites**

[www.higgins-group.co.uk](http://www.higgins-group.co.uk)  
[www.higginshomes.co.uk](http://www.higginshomes.co.uk)  
[www.higginsconstruction.co.uk](http://www.higginsconstruction.co.uk)  
[www.bassettbusinessunits.co.uk](http://www.bassettbusinessunits.co.uk)

### **Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Bankers**

HSBC Bank PLC  
West End Corporate Banking Centre  
2nd Floor, 70 Pall Mall  
London SW1Y 5EZ

The Royal Bank of Scotland PLC  
Corporate Banking London  
Property & Construction  
9th Floor  
280 Bishopsgate  
London EC2M 4RB

Barclays Bank PLC  
Property Finance Team  
UK Banking – Larger Business  
Floor 27  
One Churchill Place  
London E14 5HP

## Chairman's Statement

I am pleased to report an increase of £0.95 million in pre tax profit to £2.98 million. Turnover increased by 2% to £185.5 million.

This year we celebrate the 50th anniversary since my father founded the Higgins Group in 1961. We have grown into a renowned regional contractor/developer that employs over 380 people. I am pleased to say that the initial values on which the Company was based – providing a product that is value for money and of high quality – remain at the core of the business today.

In very competitive conditions both principal operating subsidiaries continue to perform strongly with a firm focus on generating cashflow. The Group maintains very strong liquidity and was ungeared at 31 July 2011 (overall £4 million net cash) – with cash deposits of £26.8 million.

The Group's private housing arm, Higgins Homes PLC, increased turnover by 56% from the sale of 193 private homes (2010: 144). Our ability to grow sales provides evidence that there is a demand for high quality and sensibly priced new homes in carefully selected locations – despite continued concerns over customer confidence and mortgage availability.

In an ever increasingly competitive market Higgins Construction PLC performed well and has a strong order book of secured work for future years. The level of traditional grant funding available for social housing is limited and we are committed to working with our Registered Social Landlord clients and supply chain to provide innovative funding solutions.

Work is now under way on the construction of a new £18 million secondary school in Epping. We are self-funding this project and will, once complete, receive transfer of the redundant school land for private housing. This is an illustration of how, as a combined contractor / developer with a strong financial base, we are able to unlock potential during times of government cutbacks.

I would like to take this opportunity to offer my thanks for the continuing hard work and commitment shown by all employees of Higgins Group PLC as we enter the next 50 years of the Group's history.

**R G Higgins ACIOB**

Chairman

25 October 2011



## Directors' Report

### Introduction

The Directors present their Directors' Report and Financial Statements for the year ended 31 July 2011.

### Principal activity

The principal activities of the Group during the financial year were that of building contracting and the acquisition and development of building land.

### Review of the business

The Directors can report that the Group has continued to perform well in challenging economic conditions and achieved a profit before tax of £2.98 million (2010: £2.03 million) from sales of £186 million (2010: £183 million). This validates the Directors strategy to focus on cashflow management rather than pursuit of turnover.

Net assets stand at £51.29 million (2010: £51.61 million) with a net cash position of £4.05 million at the year end. Net asset growth has been impacted by the triennial independent valuation of the property portfolio of the Group undertaken as at 31 July 2011. These valuations reduced the total carrying value by £2.7 million in the year.

The contracting arm of the Group has performed well in an increasingly competitive market as the Governments austerity measures continue to have an impact on their key clients of Social Landlords and Local Authorities. The results for Higgins Construction PLC reflect this in a reduction in turnover by 3% and a reduction in operating margin to 3.9%. Whilst Higgins Construction maintains a strong orderbook the Directors are looking to utilise the skills and expertise of their staff to enter complementary construction markets.

Higgins Homes PLC continues to balance production in response to demand. Operating well within available facilities, the Group is able to use its strong cash position to act quickly and competitively on new opportunities as the right sites become available.

The Directors are aware of the inherent risks within the Construction and Housebuilding industries. These risks principally concern the availability of public funds, the contract tendering process and the general housing market and availability of mortgages. The Directors monitor and manage these risks through internal controls and maintaining awareness of the markets within which they operate. A careful and sensitive approach to pricing and tight cost management, together with the maintenance of strong relationships with clients and suppliers, will ensure that the Group can adapt to changing market conditions.

As the Group celebrates its 50 year anniversary the Directors are proud of the reputation it has developed for providing a high quality product to all its customers and is in a strong financial position from which to start the next 50 years.

### Directors and Directors' Interests

The names of the Directors, who held office throughout the year and at the date of this report and their interests in the shares of the Company at the end of the year, were as follows:

	Beneficial Interest at 31 July	
	2011 Number	2010 Number
R G Higgins	2,208,135	2,208,135
S P Higgins	1,619,541	1,619,541
M J Higgins	1,619,541	1,619,541
P H Lewellen	Nil	Nil

## Directors' Report

### Dividends

The Directors have not paid an interim or final dividend in the year (2010: no interim or final dividend).

### Creditor payment policy

The Groups' current policy concerning creditors is to:

- a) agree payment terms with its suppliers when it enters into binding purchase contracts;
- b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) abide by the payment terms agreed whenever it is satisfied that the supplier has provided the goods or services in accordance with the contracts.

For the year to 31 July 2011 the Group's average payment period from date of invoice or agreement of valuation was 30 days (2010: 24 days).

### Employment of disabled persons

It is the policy of the Group to employ disabled persons where they are suited to a particular vacancy and to develop their careers by means of training and promotion.

### Employee involvement

The Group encourages disclosure of information and employee involvement in matters of concern to their employment. Special attention is paid to Health and Safety and Quality Assurance, accordingly industrial accidents remain at a level well below the industry norm. The Group actively promotes training programmes, the employment of trade apprentices and the participation in other youth training schemes; particularly within the London Boroughs' neighbourhood centres.

### Political and Charitable contributions

During the year the Group made charitable contributions of £3,164 (2010: £5,867). The Group made no political contributions during the year.

### Post balance sheet event

On 1 August 2011 the Company repurchased and cancelled 261,850 ordinary 10 pence shares for a total consideration of £1,500,000 from Higgins Group PLC Founder Directors Retirement Benefits Scheme under an authorisation granted on 26 July 2011.

### Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint KPMG LLP as auditor of the Company is to be proposed at a forthcoming General Meeting.

### Disclosure to Auditor

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 Auditor is 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 Auditor is aware of that information.

### By Order of the Board

P H Lewellen BSc FCA  
Company Secretary  
25 October 2011



## Statement of Directors' Responsibilities

in respect of the Directors' Report and Financial Statements 31 July 2011

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 the Directors have elected to prepare the Group and Parent Company 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 group and of the Parent Company and of their profit or loss 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 to 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

## Independent Auditor's Report

### **Independent Auditor's Report to the members of Higgins Group PLC**

We have audited the financial statements of Higgins Group PLC for the year ended 31 July 2011 set out on pages 8 to 27. 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 6, 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 website at [www.frc.org.uk/apb/scope/private.cfm](http://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 group's and of the parent company's affairs as at 31 July 2011 and of the group's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### **Shaun Kirby (Senior Statutory Auditor)**

For and on behalf of KPMG LLP  
Statutory Auditor, Chartered Accountants  
15 Canada Square, London E14 5GL  
25 October 2011

## Consolidated Profit and Loss Account

For the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
<b>Turnover</b>	2	185,507	182,652
Cost of sales		(166,242)	(164,083)
<b>Gross profit</b>		19,265	18,569
Administrative expenses		(15,001)	(15,217)
<b>Operating profit</b>	2/3	4,264	3,352
Net interest payable	5	(1,173)	(970)
Net finance cost – retirement benefits	4(j)	(113)	(355)
<b>Profit on ordinary activities before taxation</b>		2,978	2,027
Taxation on profit on ordinary activities	6	(726)	(551)
<b>Profit on ordinary activities after taxation</b>	16	2,252	1,476

There is no difference between the results as stated and the results on a historical cost basis.

No activities were acquired or discontinued during the year.

The notes on pages 12 to 27 form an integral part of these financial statements.

## Consolidated Balance Sheet

At 31 July 2011

	Notes	£'000	2011 £'000	£'000	2010 £'000
<b>Fixed assets</b>					
Investment Properties	7		10,013		11,187
Tangible assets	8		21,617		23,478
<b>Current assets</b>					
Stocks	10	58,870		57,881	
Debtors	11	27,411		26,492	
Cash at bank and in hand		29,403		34,442	
		115,684		118,815	
<b>Creditors: amounts falling due within one year</b>	12	(88,378)		(92,231)	
<b>Net current assets</b>			27,306		26,584
<b>Total assets less current liabilities</b>			58,936		61,249
<b>Creditors: amounts falling due after more than one year</b>					
	13		(3,603)		(4,787)
<b>Provision for liabilities and charges</b>	14		(108)		(156)
<b>Net assets excluding pension assets and liabilities</b>			55,225		56,306
<b>Defined benefit pension scheme liabilities</b>	4 (e)		(3,931)		(4,697)
<b>Net assets</b>			51,294		51,609
<b>Capital and reserves</b>					
Called up share capital	15		708		708
Revaluation reserve	16(a)		6,294		9,109
Other reserves	16(a)		94		94
Profit and loss account	16(a)		44,198		41,698
<b>Equity shareholders' funds</b>			51,294		51,609

These financial statements were approved by the Board of Directors on 25 October 2011.

R G Higgins ACIOB  
Director

P H Lewellen BSc FCA  
Director

The notes on pages 12 to 27 form an integral part of these financial statements.

**Company Balance Sheet**  
At 31 July 2011

	Notes	£'000	2011 £'000	2010 £'000
<b>Fixed assets</b>				
Investment in subsidiaries	9		1,505	1,505
<b>Current assets</b>				
Debtors	11	30,454		19,524
Cash at bank and in hand		12		-
		30,466		19,524
<b>Creditors: amounts falling due within one year</b>	12	(21,533)		(9,817)
<b>Net current assets</b>			8,933	9,707
<b>Total assets less current liabilities</b>			10,438	11,212
<b>Creditors: amounts falling due after more than one year</b>	13		(1,000)	(1,000)
<b>Net assets</b>			9,438	10,212
<b>Capital and reserves</b>				
Called up share capital	15		708	708
Other reserves	16(b)		84	84
Profit and loss account	16(b)		8,646	9,420
<b>Equity shareholders' funds</b>			9,438	10,212

These financial statements were approved by the Board of Directors on 25 October 2011.

R G Higgins ACIOB  
Director

P H Lewellen BSc FCA  
Director

Company Registration No. 2348986

The notes on pages 12 to 27 form an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Notes	2011 £'000	2010 £'000
<b>Net cash inflow from operating activities</b>	18(a)	12,291	8,102
<b>Returns on investment and servicing of finance</b>			
Interest received		295	305
Interest paid		(1,420)	(1,337)
		(1,125)	(1,032)
<b>Taxation</b> (Corporation tax paid)		(358)	(108)
<b>Capital expenditure and financial investment</b>	18(b)	(530)	(507)
<b>Cash inflow before financing</b>		10,278	6,455
<b>Financing</b>	18(c)	(13,575)	(1,829)
<b>(Decrease)/Increase in cash in the year</b>	18(d)	3,297	4,626

## Statement of Total Recognised Gains and Losses

For the year ended 31 July 2011

	2011 £'000	2010 £'000
Profit for the financial year	2,252	1,476
Unrealised deficit on revaluation of properties	(2,815)	(69)
Actuarial gain recognised in the pension schemes	345	219
Deferred tax thereon	(97)	(61)
<b>Total recognised (losses)/gains</b>	(315)	1,565

The notes on pages 12 to 27 form an integral part of these financial statements.

## Notes to the Accounts

For the year ended 31 July 2011

### **I. Accounting policies**

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

#### **(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain freehold and leasehold properties, and in accordance with applicable accounting standards.

The Directors have prepared a consolidated cashflow forecast for a period of 12 and 24 months. The projections incorporate current market trends and incorporate reasonable judgements and estimates of future market conditions. The Directors continue to use bank finance for many of the development projects of Higgins Homes and maintain a strong cash balance enabling the Group to be reactive and well positioned for new opportunities. The Group has the full support of its bankers and sufficient facilities are available to meet the Company's predicted requirement. The Directors, therefore, consider it appropriate to produce these financial statements on a going concern basis.

#### **(b) Basis of consolidation**

These consolidated accounts incorporate the accounts of the Company and all of its subsidiary undertakings.

As permitted by and in accordance with Section 408 of the Companies Act 2006, a separate profit and loss account of Higgins Group PLC, is not presented.

#### **(c) Tangible fixed assets and depreciation**

##### *Freehold land and buildings and leasehold properties*

Freehold land and buildings and leasehold properties occupied by the Group and held as investments are included in fixed assets at their latest valuation plus subsequent additions at cost and surpluses or deficits on revaluations are included in the revaluation reserve. It is the policy of the Group to revalue freehold and leasehold properties at least every three years. Provision for any impairment in the value of properties held as fixed assets is made in the profit and loss account.

Depreciation is not provided in respect of freehold properties occupied or investment properties held by the Group. Investment properties do not require depreciation in accordance with SSAP 19, Investment properties. Depreciation of occupied properties is not considered material. In accordance with FRS 11, Impairment of fixed assets and goodwill, the assets are reviewed for impairment at the end of each reporting period.

##### *Other tangible fixed assets*

Depreciation is provided by the Group, on a reducing balance basis, to write off the cost, less the estimated residual value, of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold properties	– Period of the lease
Plant and equipment	– 25% per annum
Motor vehicles	– 25% per annum
Office equipment	– 15% per annum

#### **(d) Investment properties**

Investment Properties are included in fixed assets at open market value. Surpluses or deficits on revaluation are included in the revaluation reserve account. Provision for any impairment in the value of properties held as fixed assets is made in the profit and loss accounts.

## Notes to the Accounts

For the year ended 31 July 2011

### **(e) Turnover**

Turnover represents:

- (i) the gross value of work carried out for the period to the balance sheet date and is normally determined by external certification;
- (ii) sales of the Groups' development projects where the contract for sale has been completed.

### **(f) Long-term contract balances**

Amounts recoverable on contracts are stated at surveyors' valuations, including attributable profit estimated to be earned to date less provision for any known or anticipated losses and are shown net of payments on account received or receivable. Attributable profit is based upon an assessment of the final outturn on contracts which includes forecast costs to complete and final anticipated valuations. Claims receivable are recognised as income once received or certified for payment.

### **(g) Stock of development land and properties**

Stock of land and part completed properties is included at cost incurred to date less provisions for foreseeable losses. Where individual plots of an overall development have been finished and sold, costs have been attributed to these plots based on a proportion of the expected overall development costs on completion.

### **(h) Shared equity assets**

These are granted as part of sales transactions where the group retains an equity interest and are secured by way of a legal charge on the respective property. On initial recognition these are held at fair value being the present value of expected future cash flows taking into account the estimated market value of the property at the time of repayment. Thereafter, these are held at fair value less impairment.

### **(i) Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, except that:

- i) deferred tax is not recognised on the revaluation of land and buildings unless there is a binding agreement to sell the revalued property and it is probable that any taxable gain arising on the sale will not be rolled over into the purchase of another asset;
- ii) deferred tax assets are recognised only to the extent that they are considered recoverable.

### **(j) Pension costs**

The Group operates two pension schemes. One provides benefits based on length of service and final pensionable pay. The other has both defined contribution and defined benefit sections, but was closed to future service accrual on 30 April 2010. It also sponsors a defined contribution Personal Pension Scheme.

Contributions in respect of defined contribution pension schemes are charged to the profit and loss account when they are payable.

The expected cost to the Group of pensions in respect of the defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

The obligations of the Group in respect of the schemes are calculated by estimating the amount of future benefit employees have earned in respect for their service. This is then discounted to present value and deducted from the fair value of the scheme's assets.

## Notes to the Accounts

For the year ended 31 July 2011

### (k) Leases

Operating lease costs are charged to the profit and loss account on a straight line basis. Fixed assets held under finance leases are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital outstanding.

### (l) Preference shares

In accordance with FRS 25 the Preference Shares issued by the Company do not meet the definition of equity, they are therefore recorded as a liability in the balance sheet. The shares carry entitlement to a cumulative dividend and are redeemable by the Company at any point between 5 and 35 years after the date of issue.

## 2. Analysis of turnover, operating profit and net assets

	2011			2010		
	Turnover	Operating	Net assets	Turnover	Operating	Net assets
	£'000	profit/(loss)	£'000	£'000	profit/(loss)	£'000
		£'000			£'000	
<b>By activity:</b>						
Contracting	139,890	6,613	7,715	153,478	9,514	6,085
Homes	45,617	1,966	27,882	29,173	(1,916)	38,208
Head Office costs	–	(4,315)	11,650	–	(4,246)	13,547
	<u>185,507</u>	<u>4,264</u>	<u>47,247</u>	<u>182,652</u>	<u>3,352</u>	<u>57,840</u>
Net Cash/(Debt) (note 18 (d))			4,047			(6,231)
Net assets			51,294			51,609

All the Group's activities are carried out in the United Kingdom.

## 3. Operating profit

Operating profit is stated after charging:

	2011	2010
	£'000	£'000
Aggregate Directors' emoluments (Note 4)	4,520	4,765
Hire of plant and machinery	540	541
Depreciation of tangible fixed assets	717	785
Auditor's remuneration - for audit work	63	63
Write down of trading stock	57	300
Loss on sale of tangible fixed assets	32	40
and after crediting:		
Rents receivable	833	835

Auditor's remuneration for the Parent Company was £9,500 (2010: £9,500).

The loss of the Parent Company transferred to reserves in the year is £774,000 (2010: profit of £142,000).

## Notes to the Accounts

For the year ended 31 July 2011

### 4. Staff costs

#### (a) Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2011	2010
Office and management	146	138
Contract staff	236	238
	<b>382</b>	<b>376</b>
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs:</b>		
Wages and salaries	20,483	20,651
Social security costs	2,180	2,102
Other pension costs	910	1,079
	<b>23,573</b>	<b>23,832</b>

The aggregate emoluments (excluding pension contributions) of the Chairman amounted to £1,158,832 (2010: £1,309,294). He has participated in a defined benefit pension scheme during the year and his accrued pension at 31 July 2011 amounted to £348,562 per annum (2010: £341,985 per annum). For the years ended 31 July 2011 and 2010 the highest paid Director was also the Chairman.

#### (b) Pensions

The Group operates two Pension Schemes

The Higgins Group PLC Pension & Life Assurance Scheme ("Staff Scheme") has defined contribution and defined benefit sections. The former was closed to new contributions on 1 September 2008: the latter was closed to future accrual on 30 April 2010.

The Higgins Group PLC Founders Directors Retirement Benefit Scheme ("Founders Scheme") has the intention of operating as a defined benefit scheme and is reported as such within these financial statements.

The Group also sponsors the Higgins Group Personal Pension Scheme which is provided by Scottish Widows and whose assets are managed independently from the Group and the Staff Scheme Trustees.

#### (c) Money purchase contributions

Contributions amounting to £615,500 (2010: £311,600) were paid into the money purchase section of the Staff Scheme and the company sponsored Personal Pension plan during the year. In addition the Group covers the cost of insured benefits.

## Notes to the Accounts

For the year ended 31 July 2011

### 4. Staff costs continued

#### (d) Defined benefit contributions

A schedule of minimum contributions for the Group's defined benefit schemes is determined by an independent qualified actuary on the basis of triennial valuations – the most recent of which was at 30 April 2010.

The Scheme Actuary has recommended that contributions be made into the defined benefit section of the Staff Scheme at the rate of £72,100 per month with effect from 1 June 2011, increasing by 3% per annum to make good the funding shortfall arising from the latest actuarial valuation by 2017. The Actuary has recommended that no contributions are necessary into the Founders Scheme. In addition the Group covers the cost of insured benefits and other expenses of both schemes.

Based on the current remuneration levels the Directors would expect the total employers' contributions to be £865,200 for the financial period ended 31 July 2012.

#### (e) Defined benefit assets and liabilities

The market value of the defined benefit section of the Staff Scheme and the Founders Scheme assets at 31 July 2011 were sufficient to cover 85% (2010: 78%) and 90% (2010: 95%) of the respective Scheme defined benefit obligations at that date.

The principal actuarial assumptions are as follows:

	At 31 July 2011	At 31 July 2010	At 31 July 2009
Inflation	3.50%	3.40%	3.40%
Discount rate	5.30%	5.40%	6.00%
Salary increase – Staff scheme	3.50%	3.40%	3.90%
Salary increase – Founders scheme	3.50%	3.40%	4.40%
Pension in payment increase (1997-2006 accrual)	3.25%	3.15%	3.40%
Pension in payment increase (post 2006 accrual)	2.75%	2.75%	3.00%

The adopted set of demographic assumptions are consistent with those used for the FRS17 disclosures as at 31 July 2010 and for the formal funding valuations of the Schemes as at 30 April 2010.

Life expectancy within the Founders Scheme is assumed to be in line with the PNXL00 life tables based on year of birth with a 100% scaling factor. The Medium Cohort improvements were adopted for future improvements until 2020.

Life expectancy within the Staff Scheme is assumed to be in line with the S1PXA life tables based on year of birth with a 115% scaling factor.

The expected return on assets is based on the long term expectancies for each asset class at the beginning of the period. The expected return on assets is set by the Company having taken actuarial advice.

## Notes to the Accounts

For the year ended 31 July 2011

On the basis of these assumptions the pension assets or liabilities and the expected long-term rates of returns were:

	Expected long term rate of return					Staff Scheme value				
	2011 %	2010 %	2009 %	2008 %	2007 %	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Equities	7.00	7.30	7.40	7.90	7.90	16,452	14,409	11,154	12,212	14,185
Corporate Bonds	5.30	5.40	6.00	6.70	5.90	2,896	2,602	2,033	1,716	401
Government Bonds	4.00	4.30	4.40	4.90	4.90	2,967	2,074	1,722	1,746	1,220
Cash	0.50	0.50	5.00	5.00	5.50	331	1,240	2,258	1,896	1,931
Fair value of defined benefit assets						22,646	20,325	17,167	17,570	17,737
Present value of defined benefit obligations						(26,773)	(26,172)	(24,410)	(22,109)	(21,572)
Deficit						(4,127)	(5,847)	(7,243)	(4,539)	(3,835)
Related deferred tax asset						1,156	1,637	2,208	1,362	1,150
Pension liability						(2,971)	(4,210)	(5,215)	(3,177)	(2,685)

	Expected long term rate of return					Founders Scheme value				
	2011 %	2010 %	2009 %	2008 %	2007 %	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Investment in Higgins										
Group PLC	5.00	5.00	5.00	5.00	5.00	5,800	5,800	5,800	5,800	7,300
Other Equities	7.00	7.30	7.40	7.90	7.90	4,486	3,963	3,395	3,896	3,553
Corporate Bonds	5.30	5.40	6.00	6.70	5.90	-	-	-	-	100
Government Bonds	4.00	4.30	4.40	4.90	4.90	1,848	1,845	1,877	1,898	2,118
Cash	0.50	0.50	5.00	5.00	5.50	86	72	58	66	607
Fair value of defined benefit assets						12,220	11,680	11,130	11,660	13,678
Present value of defined benefit obligations						(13,554)	(12,357)	(11,462)	(10,986)	(10,307)
(Deficit)/surplus						(1,334)	(677)	(332)	674	3,371
Related deferred tax asset/(liability)						374	190	93	(202)	(1,011)
Pension (liability)/asset						(960)	(487)	(239)	472	2,360

### (f) Changes in the fair value of scheme assets

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Opening fair value of scheme assets</b>	20,325	17,167	11,680	11,130
Expected return from assets	1,273	1,170	655	622
Contributions by scheme participants	-	133	-	-
Contributions by the employer	840	1,031	-	-
Actuarial gains/(losses)	1,524	(1,385)	43	85
Benefits paid	(1,316)	(561)	(158)	(157)
<b>Closing fair value of scheme assets</b>	22,646	20,325	12,220	11,680

Notes to the Accounts  
For the year ended 31 July 2011

4. Staff costs continued

(g) Actual return of scheme assets

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Expected return from scheme assets	1,273	1,170	655	622
Actuarial gains	1,524	1,385	43	85
<b>Actual return of scheme assets</b>	<b>2,797</b>	<b>2,555</b>	<b>698</b>	<b>707</b>

(h) Changes in the present value of scheme liabilities

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Opening present value of scheme liabilities</b>	<b>26,172</b>	<b>24,410</b>	<b>12,357</b>	<b>11,462</b>
Current service costs	-	414	-	-
Interest cost	1,378	1,464	663	683
Contributions by plan participants	-	133	-	-
Actuarial losses	529	882	692	369
Past service costs	10	41	-	-
Curtailment gain	-	(611)	-	-
Benefits paid	(1,316)	(561)	(158)	(157)
<b>Closing present value of scheme liabilities</b>	<b>26,773</b>	<b>26,172</b>	<b>13,554</b>	<b>12,357</b>

(i) Changes in the fair value of defined benefit (liabilities)/assets

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Pension liabilities at beginning of year</b>	<b>(4,210)</b>	<b>(5,215)</b>	<b>(487)</b>	<b>(239)</b>
Movement in year:				
Past service cost	(10)	(41)	-	-
Current service cost	-	(414)	-	-
Contributions	840	1,031	-	-
Net finance costs	(105)	(294)	(8)	(61)
Curtailment gain	-	611	-	-
Actuarial gain/(loss)	995	503	(649)	(284)
Deferred Tax	(481)	(391)	184	97
<b>Pension liabilities at end of year</b>	<b>(2,971)</b>	<b>(4,210)</b>	<b>(960)</b>	<b>(487)</b>

## Notes to the Accounts

For the year ended 31 July 2011

### (j) Amounts recognised in profit and loss account

The amounts charged to profit and loss account in respect of defined benefit obligations are as follows:

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current and past service cost and total operating charge	(10)	(455)	-	-
Curtailment gain	-	611	-	-
Net operating gain/(charge)	(10)	156	-	-
Expected return on pension scheme assets	1,273	1,170	655	622
Interest on pension scheme liabilities	(1,378)	(1,464)	(663)	(683)
<b>Net finance cost</b>	<b>(105)</b>	<b>(294)</b>	<b>(8)</b>	<b>(61)</b>

As the defined benefit section of the Staff Scheme is closed to future service accrual, the current service cost, under the projected unit method, will increase as the members of the scheme approach retirement.

### (k) Actuarial gains and losses recognised in equity

The amounts that have been included within the statement of total recognised gains and losses are as follows:

	Staff Scheme		Founders Scheme	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Difference between expected and actual returns on assets	1,524	1,385	43	85
Experience (losses)/gains arising in the scheme liabilities	(257)	1,929	(330)	425
Effects of changes in assumptions underlying the present value of scheme liabilities	(272)	(2,811)	(363)	(794)
Actuarial gains/(loss)	995	503	(650)	(284)

### (l) History of experience gains and losses

Staff Scheme	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between expected and actual returns on scheme assets	(1,524)	(1,385)	(2,645)	(2,239)	673
Percentage of assets at year end	7%	7%	15%	13%	4%
Experience (losses)/gains on scheme liabilities	(257)	1,929	219	(461)	(343)
Percentage of liabilities at year end	1%	7%	1%	2%	2%
Total actuarial (losses)/gains	(529)	(882)	(493)	1,266	(1,206)
Percentage of liabilities at year end	2%	3%	2%	6%	6%
<b>Founders Scheme</b>					
Difference between expected and actual returns on scheme assets	43	85	(1,062)	(2,649)	(234)
Percentage of assets at year end	0%	1%	10%	23%	2%
Experience (losses)/gains on scheme liabilities	(330)	425	500	(690)	(201)
Percentage of liabilities at year end	2%	3%	4%	6%	2%
Total actuarial (losses)/gains	(692)	(284)	(964)	(2,788)	278
Percentage of liabilities at year end	5%	3%	8%	25%	3%

## Notes to the Accounts

For the year ended 31 July 2011

### 5. Net interest payable

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	1,448	1,255
Dividend on preference shares	20	20
Interest income	(295)	(305)
	1,173	970

### 6. Taxation on profit on ordinary activities

	2011 £'000	2010 £'000
<b>Analysis of charge in year</b>		
UK Corporation tax charge at 27.33% (2010: 28%) based on the profit for the year	574	349
Under provision in respect of prior years	–	(38)
	574	311
Deferred taxation (see note 14)	(48)	7
Deferred taxation – relating to retirement benefits	200	233
	726	551

Changes to the UK tax rate set to reduce from 28% to 23% over a four year period by April 2014 will reduce the Group's future current tax charge accordingly. This impact has not yet been estimated.

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2010: lower) than the standard rate of corporation tax in the UK of 27.33% (2010: 28%). The differences are explained below:

	2011 £'000	2010 £'000
<b>Current Tax Reconciliation</b>		
Profit on ordinary activities before tax	2,978	2,027
Current tax at 27.33% (2010: 28%)	813	568
<b>Effects of:</b>		
Expenses not deductible for tax purposes	47	64
Capital allowances for period in excess of depreciation	(86)	(50)
Deferred tax relief on pension contributions in excess of amounts expensed	(200)	(233)
Adjustments to tax charge in respect of previous periods	–	(38)
Total current tax charge	574	311

## Notes to the Accounts

For the year ended 31 July 2011

### 7. Investment properties

	Freehold Properties £'000	Leasehold Properties £'000	Total £'000
Valuation at beginning of year	9,502	1,685	11,187
Revaluation	(922)	(252)	(1,174)
At end of year	8,580	1,433	10,013

The following freehold properties were professionally valued by chartered surveyors as at 31 July 2011, on an open market basis in compliance with RICS statement of Assets Valuation Practice and Guidance notes;

Name of Property	Valuation (£)	Name of Valuer
Charter House, High Street, Gt Dunmow	440,000	Kemsley Whiteley & Ferris
Connaught Complex, Loughton	3,200,000	Glenny LLP
High Street, Brentwood	1,170,000	Savills (L&P) Ltd
High Road, South Woodford	3,770,000	Glenny LLP

The historical cost of freehold properties is £7,622,122 (2010: £7,622,122).

The following leasehold properties were professionally valued by chartered surveyors as at 31 July 2011, on an open market basis in compliance with RICS Statement of Asset Valuation Practice and Guidance Notes;

Name of Property	Valuation (£)	Name of Valuer
Units 2 & 3 Lockside Marina, Chelmsford	182,500	Kemsley Whiteley & Ferris
Bassett Business Units, North Weald	1,250,000	Glenny LLP

The historical cost of leasehold properties is £1,101,700 (2010: £1,101,700).

### 8. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold properties £'000	Plant & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At beginning of year	20,001	171	7,711	1,592	29,475
Additions	-	-	456	107	563
Disposals	-	-	(402)	(115)	(517)
Revaluation	(1,640)	-	-	-	(1,640)
At end of year	18,361	171	7,765	1,584	27,881
<b>Depreciation</b>					
At beginning of year	-	20	4,976	1001	5,997
Charge for year	-	11	546	160	717
On disposals	-	-	(355)	(95)	(450)
At end of year	-	31	5,167	1,066	6,264
<b>Net Book Amount</b>					
At 31 July 2011	18,361	140	2,598	518	21,617
At 31 July 2010	20,001	151	2,735	591	23,478

## Notes to the Accounts

For the year ended 31 July 2011

### 8. Tangible fixed assets continued

The freehold property includes the property located at One Langston Road, Loughton, Essex which is the Group's Head Office. This property was professionally valued at £18,360,000 by Savills, Chartered Surveyors, as at 31 July 2011 on an existing value basis in compliance with RICS Statement of Asset Valuation Practice and Guidance Notes. The open market value of the property was £13,980,000.

The differential in assessing the open market value of this property arises from a significant allowance for void and rent-free periods and a higher level of construction cost associated with the planning consent to extend the existing building.

The historical cost of the freehold property is £13,370,669 (2010: £13,370,669).

### 9. Fixed assets – investments

#### Company – Investments

	2011 £'000	2010 £'000
Shares in group undertakings:		
Net book amount at beginning of year and end of year	1,505	1,505

The list of companies in which the Company has a participating interest, all of which are 100% subsidiary undertakings registered in England and Wales, is as follows:

Subsidiary Undertakings	Principal Activity
Higgins Homes PLC	House building
Higgins Construction PLC	Contracting
Higgins Investments PLC	Property investments
Bassett Business Units Limited	Managing business units <sup>#</sup>
Higgins City Limited	Dormant
D J Higgins Investments Limited	Dormant
Higgins Group Services Limited	Dormant
D J Higgins Construction Limited	Dormant*
D J Higgins Building Works Limited	Dormant*
D J Higgins Plant Limited	Dormant*
Station Garage (Loughton) Limited	Dormant*

\* All these companies are 100% subsidiary undertakings of Higgins Construction PLC.

<sup>#</sup> This company is a 100% subsidiary of Higgins Investments PLC.

All other companies are 100% subsidiary undertakings of the Company.

### 10. Stocks

	2011 £'000	2010 £'000
Residential development land and buildings	56,167	56,320
Contracting stock and work in progress	2,703	1,561
	58,870	57,881

## Notes to the Accounts

For the year ended 31 July 2011

### 11. Debtors

	Group £'000	2011 Company £'000	Group £'000	2010 Company £'000
Trade debtors	18,632	-	17,909	-
Amounts recoverable on contracts	3,805	-	5,548	-
Amounts owed by subsidiaries	-	30,350	-	19,349
Other debtors	4,319	-	2,186	1
Prepayments and accrued income	655	104	849	174
	27,411	30,454	26,492	19,524

Included in trade debtors are amounts falling due after more than one year of £2,386,000 (2010: £2,275,000).

Other debtors includes: £3,553,000 (2010: £1,733,000) shared equity values. These are granted as part of sales transactions where the group retains an equity interest and are secured by way of a legal charge on the respective property. On initial recognition these are held at fair value being the present value of expected future cash flows taking into account the estimated market value of the property at the time of repayment. Thereafter, these are held at fair value less impairment.

£119,000 (2010: £13,000) sales retentions on current contracts where payment is due after completion of contract.

£60,000 (2010: £73,000) relating to various transactions that occurred during the course of the Companies ordinary trading activities where payment terms have been deferred.

### 12. Creditors: amounts falling due within one year

	Group £'000	2011 Company £'000	Group £'000	2010 Company £'000
Bank loans and overdrafts	22,753	-	36,886	3
Trade creditors	15,852	-	12,189	-
Payments on account	14,981	-	10,231	-
Amounts owed to subsidiaries	-	20,581	-	8,545
Corporation tax payable	566	-	348	-
Other taxation and social security	1,098	-	1,373	-
Other creditors	1,792	1	358	-
Accruals and deferred income	31,336	951	30,846	1,269
	88,378	21,533	92,231	9,817

The bank loans and overdrafts are secured on:

- (i) certain freehold and leasehold properties retained as tangible fixed assets and
- (ii) certain properties within the stock of development land.

## Notes to the Accounts

For the year ended 31 July 2011

### 13. Creditors: amounts falling due after more than one year

	Group £'000	2011 Company £'000	Group £'000	2010 Company £'000
Bank loan	2,603	–	3,787	–
Preference Shares	1,000	1,000	1,000	1,000
	3,603	1,000	4,787	1,000

The bank loan is repayable by instalments as follows:

	2011 £'000	2010 £'000
<b>Bank loan</b>		
Amounts due:		
Between 1 and 2 years	1,251	1,251
Between 2 and 5 years	1,352	2,536
After 5 years	–	–
	2,603	3,787

The bank loan is secured on:

- (i) a freehold and leasehold properties retained as tangible fixed assets and
- (ii) certain properties within the stock of development land.

The bank loan is repayable by monthly installments. Interest is charged at a rate linked to bank base lending rate.

The preference shares carry an entitlement to a fixed cumulative dividend at a rate of 1.5% above the bank base lending rate. The preference shares can be redeemed by the Company at any point between 5 and 35 years after issue.

### 14. Provision for liabilities and charges

#### Deferred Tax – Group

	2011 £'000	2010 £'000
Balance at beginning of year	156	149
Profit and loss account (see note 6)	(48)	7
Balance at end of year	108	156

Deferred taxation provided in the accounts is as follows:

	2011 £'000	2010 £'000
Accelerated capital allowances	70	167
Short-term timing differences	38	(11)
	108	156

The Group has trading losses carried forward of £32,000 (2010: £32,000) which have not been reflected in other timing differences.

In addition, the deferred tax asset reduced by £297,000 in the year (2010: asset reduced by £294,000) in relation to the Group's defined benefit schemes. In accordance with FRS17, pension assets and liabilities arising are net of attributable deferred tax (note 4 (e)).

## Notes to the Accounts

For the year ended 31 July 2011

### 15. Called up share capital

	2010 £'000	2009 £'000
Share Capital allotted, and fully paid:		
7,083,902 Ordinary Shares of 10 pence each	708	708
1,000,000 Preference shares of £1 each	1,000	1,000
	1,708	1,708

On 1 August 2011 the Company repurchased and cancelled 261,850 ordinary 10 pence shares for a total consideration of £1,500,000 under an authority granted on 26 July 2011.

The preference shares are classified as liabilities and ordinary shares are classified in shareholders' funds.

The preference shares are redeemable between 5 and 35 years after the date of issue at the option of the Company.

### 16. Statement of movements on reserves

	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
<b>(a) Group</b>				
At beginning of year	9,109	94	41,698	50,901
Profit for financial year	–	–	2,252	2,252
Revaluation in the period	(2,815)	–	–	(2,815)
Actuarial gain arising in the year	–	–	345	345
Deferred tax arising thereon	–	–	(97)	(97)
At end of year	6,294	94	44,198	50,586
<b>(b) Company</b>				
At beginning of year	–	84	9,420	9,504
Loss for financial year	–	–	(774)	(774)
At end of year	–	84	8,646	8,730

**Notes to the Accounts**  
For the year ended 31 July 2011

**17. Guarantees and commitments**

(a) The Company has entered into guarantee arrangements on behalf of certain subsidiary undertakings in the normal course of business.

(b) Capital commitments of the Group at 31 July 2011, for which no provision has been made in these financial statements, were as follows:

	2011 £'000	2010 £'000
Contracted	85	27
	85	27

(c) At 31 July 2011 the Group had annual commitments (Company: £nil) under non-cancellable operating leases and contract hire agreements as follows:

	Property 2011 £'000	Contract hire 2011 £'000	Total 2011 £'000	Property 2010 £'000	Contract hire 2010 £'000	Total 2010 £'000
Leases which expire:						
Within 1 year	–	9	9	–	158	158
In 2 to 5 years	–	588	588	–	189	189
Over 5 years	41	–	41	41	–	41
	41	597	638	41	347	388

**Notes to the Accounts**  
For the year ended 31 July 2011

**18. Notes to the cash flow statement**

**(a) Reconciliation of operating profit to operating cash flows**

	2011 £'000	2010 £'000
Operating profit	4,264	3,352
Depreciation charges	719	785
Diminution in value of fixed assets	–	66
Loss on sale of tangible fixed assets	32	40
Defined benefit pension scheme contributions paid	(840)	(1,031)
Defined benefit pension scheme service cost accrued	10	455
Gains on curtailments and settlements	–	(611)
Decrease/(Increase) in stocks	(989)	1,009
Decrease/(Increase) in debtors	(919)	13,662
Increase/(Decrease) in creditors	10,014	(9,625)
<b>Net cash inflow from operating activities</b>	<b>12,291</b>	<b>8,102</b>

**(b) Analysis of capital expenditure and financial investment**

	2011 £'000	2010 £'000
Purchase of tangible fixed assets	(563)	(574)
Sale of tangible fixed assets	33	67
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(530)</b>	<b>(507)</b>

**(c) Financing**

	2011 £'000	2010 £'000
Repayment of loans	(13,575)	(1,829)

**(d) Analysis of net debt**

	At 1 August 2010 £'000	Cash flow £'000	At 31 July 2011 £'000
Cash at bank and in hand and overdrafts	30,141	(3,297)	26,844
Bank loans due within 1 year	(32,585)	12,391	(20,194)
Bank loans due after 1 year	(3,787)	1,184	(2,603)
	(6,231)	10,278	(4,047)

## Notice of Meeting

Short notice, having been approved is hereby given that the Annual General Meeting of Higgins Group PLC will be held at One Langston Road, Loughton, Essex on 22 November 2011 11.00am to transact the following business:

1. To receive and approve the consolidated Annual Report and Accounts for the year ended 31 July 2011 and the reports of Directors and Auditor thereon.
2. To appoint KPMG LLP as the auditor of the Company and to authorise the Directors to fix their remuneration.
3. To transact any other business which may be transacted at an Annual General Meeting.

**By Order of the Board**

P H Lewellen BSc FCA  
Company Secretary  
25 October 2011

The Register of Directors and interests in the Company's shares are available for inspection at the Registered Office of the Company during usual business hours (weekends and public holidays excepted) and at the meeting from 15 minutes prior to and during the meeting.



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