

**Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2008
for
HCD Group Limited**



HCD Group Limited

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HCD Group Limited
Company Information
for the Year Ended 31 December 2008

DIRECTORS:

A H Dyer
J D Butler
N G J Cole
S J Hicks

SECRETARY:

S J Hicks

REGISTERED OFFICE:

2 Links Court
Links Business Park
St Mellons
Cardiff
South Glamorgan
CF3 0LT

REGISTERED NUMBER:

04264507

AUDITORS:

Broomfield & Alexander Limited
Chartered Accountants
& Registered Auditors
Pendragon House
Caxton Place
Pentwyn
CARDIFF
CF23 8XE

HCD Group Limited

Report of the Directors for the Year Ended 31 December 2008

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of building surveyors and building management consultants.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

The principal activity of the Group in the year under review was that performed by HCD Building Control Limited as Approved Inspectors in England and Wales representing approximately 66% of the Group's turnover (62% in 2007); thereafter HCD Management carried out Project Management and Quantity Surveying Services contributing approximately 28% (as in 2007) of the Group's turnover with the remainder being Civil and Structural Engineering services carried out by HCD Eng. Limited and miscellaneous consultancy to the construction industry carried out by HCD Specialist Services Limited. The Group's parent company HCD Group Limited trades only with its 100% owned subsidiaries providing corporate services.

The Group's Profit and Loss Account is set out on page 5 and whilst there was no overall growth in 2008 and turnover decreased by 3.5 % from £8,168,261 to £7,878,479 in the 12 months to December 2008 the Directors consider this to be strong revenue in an increasingly challenging environment and is relatively successful in the context of the deep recession within the construction industry; encouragingly, the Group's flagship business of Building Control managed slight growth of 0.9% despite turbulent times with the revenue decrease coming in the Group's smallest operation of Civil and Structural Engineering.

With the severity of the recession within the construction industry and the speed of its arrival unfortunately the HCD group was initially geared for continued growth and therefore whilst swift and appropriate action was taken in Q4 of 2008 resulting in a significant and substantial reduction in operating costs for 2009, the 2008 cost base resulted in a decrease in operating profit (before interest and taxation) in 2009 down to £745,420. Nevertheless, at a profit margin of 9.5% the Directors of HCD view the performance as successful, especially compared to peers within the marketplace.

Despite the Credit Crunch and the recession that has followed the Group was still able to continue with its strategy of expanding coverage of its Building Control operations opening new offices as planned in 2008 in Bristol and Fleet.

With the direct and swift action taken in substantially reducing operating costs by the HCD Directors late in 2008 coupled with the long term strategy of refocusing on markets less sensitive to recessionary pressures will ensure that the Group will continue to out perform its competitors and maintain sustainable profits at good margin. Alongside "recession aware" business development strategies the Group has also invested significantly in a new Group wide Database for implementation in Q2 of 2009 which will aid the Group in being well placed for significant future growth as we emerge from the current economic downturn. The Group has added to its Credit Control Function which has seen particular improvement in payment collection period with the Group's largest service Building Control where payment collection days have been improved by 38%.

As at the date of signing off of the 2008 statutory accounts the Directors can report that the Group is well placed for 2009 having already secured 78% of its budgeted target revenue for the year.

DIVIDENDS

No interim dividend was paid during the year. The directors recommend a final dividend of £1.43 per share.

The total distribution of dividends for the year ended 31 December 2008 will be £441,870.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2008 to the date of this report.

A H Dyer
J D Butler
N G J Cole
S J Hicks

HCD Group Limited

**Report of the Directors
for the Year Ended 31 December 2008**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 estimates that are reasonable and prudent;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Broomfield & Alexander Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

.....
N G J Cole - Director

Date: 26-2-09

**Report of the Independent Auditors to the Members of
HCD Group Limited**

We have audited the financial statements of HCD Group Limited for the year ended 31 December 2008 on pages five to twenty one. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we 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 Report of the Directors 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 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 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.

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 affairs of the company and the group as at 31 December 2008 and of the profit of the group 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 Report of the Directors is consistent with the financial statements.

Broomfield - Alexander Ltd

Broomfield & Alexander Limited
Chartered Accountants
& Registered Auditors
Pendragon House
Caxton Place
Pentwyn
CARDIFF
CF23 8XE

Date:

27 February 2009

HCD Group Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2008

	Notes	2008 £	2007 £
TURNOVER		7,878,479	8,168,261
Cost of sales		3,808,427	3,818,290
GROSS PROFIT		4,070,052	4,349,971
Administrative expenses		3,324,632	3,237,580
OPERATING PROFIT	3	745,420	1,112,391
Interest receivable and similar income		1,251	-
		746,671	1,112,391
Interest payable and similar charges	4	98,944	159,230
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		647,727	953,161
Tax on profit on ordinary activities	5	210,681	318,452
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		437,046	634,709

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current year or previous year.

HCD Group Limited

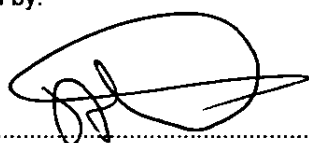
Consolidated Balance Sheet
31 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets	8	640,111	687,910
Tangible assets	9	308,324	268,720
Investments	10	-	-
		<u>948,435</u>	<u>956,630</u>
CURRENT ASSETS			
Debtors	11	2,361,995	3,115,752
Cash at bank and in hand		<u>266,183</u>	<u>974</u>
		2,628,178	3,116,726
CREDITORS			
Amounts falling due within one year	12	<u>1,651,824</u>	<u>2,230,774</u>
NET CURRENT ASSETS		<u>976,354</u>	<u>885,952</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,924,789</u>	<u>1,842,582</u>
CREDITORS			
Amounts falling due after more than one year	13	(903,613)	(821,327)
PROVISIONS FOR LIABILITIES	17	<u>(18,685)</u>	<u>(13,964)</u>
NET ASSETS		<u><u>1,002,491</u></u>	<u><u>1,007,291</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	3,090	3,090
Profit and loss account	19	<u>999,401</u>	<u>1,004,201</u>
SHAREHOLDERS' FUNDS	22	<u><u>1,002,491</u></u>	<u><u>1,007,291</u></u>

The financial statements were approved by the Board of Directors on its behalf by:

26th February '09

and were signed on



S J Hicks - Director

HCD Group Limited

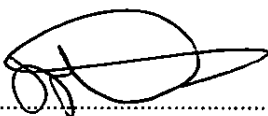
**Company Balance Sheet
31 December 2008**

	Notes	2008 £	£	2007 £	£
FIXED ASSETS					
Intangible assets	8		-		-
Tangible assets	9		202,733		142,457
Investments	10		517,078		517,078
			<u>719,811</u>		<u>659,535</u>
CURRENT ASSETS					
Debtors	11	980,616		1,305,826	
Cash in hand		<u>1,407</u>		<u>148</u>	
		982,023		1,305,974	
CREDITORS					
Amounts falling due within one year	12	<u>758,879</u>		<u>1,017,683</u>	
NET CURRENT ASSETS			<u>223,144</u>		<u>288,291</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			942,955		947,826
CREDITORS					
Amounts falling due after more than one year	13		(903,613)		(821,327)
PROVISIONS FOR LIABILITIES	17		<u>(18,685)</u>		<u>(12,600)</u>
NET ASSETS			<u><u>20,657</u></u>		<u><u>113,899</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		3,090		3,090
Profit and loss account	19		<u>17,567</u>		<u>110,809</u>
SHAREHOLDERS' FUNDS	22		<u><u>20,657</u></u>		<u><u>113,899</u></u>

The financial statements were approved by the Board of Directors on its behalf by:

26th February '09

and were signed on



Director

HCD Group Limited

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2008**

	Notes	£	2008	£	£	2007	£
Net cash inflow from operating activities	1			1,387,253			1,084,287
Returns on investments and servicing of finance	2			(97,693)			(159,230)
Taxation				(319,905)			(294,268)
Capital expenditure	2			(103,391)			(111,101)
Equity dividends paid				(441,870)			(456,280)
				<u>424,394</u>			<u>63,408</u>
Financing	2			(146,481)			(124,721)
Increase/(Decrease) in cash in the period				<u>277,913</u>			<u>(61,313)</u>

Reconciliation of net cash flow to movement in net debt

	3						
Increase/(Decrease) in cash in the period		277,913		(61,313)			
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		<u>(101,066)</u>		<u>115,307</u>			
Change in net debt resulting from cash flows			176,847			53,994	
New finance leases			<u>(56,197)</u>			<u>-</u>	
Movement in net debt in the period			120,650			53,994	
Net debt at 1 January			<u>(829,138)</u>			<u>(883,132)</u>	
Net debt at 31 December			<u>(708,488)</u>			<u>(829,138)</u>	

The notes form part of these financial statements

HCD Group Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2008**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	745,420	1,112,391
Depreciation charges	167,196	162,530
Loss on disposal of fixed assets	585	517
Decrease/(Increase) in debtors	753,757	(121,682)
Decrease in creditors	(279,705)	(69,469)
Net cash inflow from operating activities	<u><u>1,387,253</u></u>	<u><u>1,084,287</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	1,251	-
Interest paid	(95,063)	(154,610)
Interest element of hire purchase payments	(3,881)	(4,620)
Net cash outflow for returns on investments and servicing of finance	<u><u>(97,693)</u></u>	<u><u>(159,230)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(103,851)	(111,101)
Sale of tangible fixed assets	460	-
Net cash outflow for capital expenditure	<u><u>(103,391)</u></u>	<u><u>(111,101)</u></u>
Financing		
New loans in year	780,000	-
Loan repayments in year	(674,825)	(115,307)
Capital repayments in year	(4,107)	-
Amount withdrawn by directors	(247,573)	(9,797)
Share-based payments	24	383
Net cash outflow from financing	<u><u>(146,481)</u></u>	<u><u>(124,721)</u></u>

HCD Group Limited

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2008**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.08 £	Cash flow £	Other non-cash changes £	At 31.12.08 £
Net cash:				
Cash at bank and in hand	974	265,209		266,183
Bank overdraft	(263,555)	12,704		(250,851)
	<u>(262,581)</u>	<u>277,913</u>		<u>15,332</u>
Debt:				
Hire purchase	-	4,107	(56,197)	(52,090)
Debts falling due within one year	(133,789)	(10,332)	-	(144,121)
Debts falling due after one year	(432,768)	(94,841)	-	(527,609)
	<u>(566,557)</u>	<u>(101,066)</u>	<u>(56,197)</u>	<u>(723,820)</u>
Total	<u>(829,138)</u>	<u>176,847</u>	<u>(56,197)</u>	<u>(708,488)</u>

The notes form part of these financial statements

HCD Group Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings	- 33% on cost and 15% on cost
Computer equipment	- 33% on cost

No depreciation is charged on Assets in the course of construction.

Deferred tax

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Hire purchase and leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Goodwill	20 years
----------	----------

Share-based payments

The company operates a number of share-based payment schemes. The fair value at the date of grant of the equity instrument is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions. At each balance sheet date, the company revises its estimate of the number of equity instruments which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the company is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium.

2. STAFF COSTS

	2008 £	2007 £
Wages and salaries	4,092,045	4,107,440
Social security costs	492,915	463,686
Other pension costs	15,767	13,187
	<u>4,600,727</u>	<u>4,584,313</u>

HCD Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2008

2. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	2008	2007
Directors	4	4
Technical	67	69
Operational	37	34
	<u>108</u>	<u>107</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2008 £	2007 £
Hire of plant and machinery	74,030	48,586
Depreciation - owned assets	117,856	114,731
Depreciation - assets on hire purchase contracts	1,545	-
Loss on disposal of fixed assets	585	517
Goodwill amortisation	47,797	47,797
Auditors' remuneration	19,360	19,360
	<u>158,480</u>	<u>158,449</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank interest	15,443	22,207
Bank loan interest	51,802	57,218
Other interest payable	2,260	7,492
Directors loan interest	25,558	67,693
Hire purchase	3,881	4,620
	<u>98,944</u>	<u>159,230</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2008 £	2007 £
Current tax:		
UK corporation tax	210,718	324,663
Overprovision prior year	(995)	(619)
Total current tax	<u>209,723</u>	<u>324,044</u>
Deferred tax	958	(5,592)
Tax on profit on ordinary activities	<u>210,681</u>	<u>318,452</u>

HCD Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2008**

5. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>647,727</u>	<u>953,161</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007 - 30%)	181,364	285,948
Effects of:		
Depreciation in excess of capital allowances	(29,854)	(27,892)
Expenses not deductible for tax	68,099	77,838
Profit on disposal of fixed assets	164	-
Marginal relief	(2,590)	(7,156)
Income not taxable	(200)	-
Group relief	(9,649)	(4,075)
Overprovision prior year	(995)	(619)
Effect of change in tax rate	3,384	-
Current tax charge	<u>209,723</u>	<u>324,044</u>

6. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £348,604 (2007 - £546,979).

7. DIVIDENDS

	2008 £	2007 £
Ordinary shares of £0.01 each		
Final	<u>441,870</u>	<u>456,280</u>

8. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 January 2008 and 31 December 2008	<u>955,942</u>
AMORTISATION	
At 1 January 2008	268,034
Amortisation for year	<u>47,797</u>
At 31 December 2008	<u>315,831</u>
NET BOOK VALUE	
At 31 December 2008	<u>640,111</u>
At 31 December 2007	<u>687,908</u>

HCD Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2008**

9. TANGIBLE FIXED ASSETS

Group

	Fixtures and fittings £	Assets in the course of construction £	Computer equipment £	Totals £
COST				
At 1 January 2008	267,990	-	566,669	834,659
Additions	25,268	52,551	82,229	160,048
Disposals	(1,311)	-	-	(1,311)
At 31 December 2008	<u>291,947</u>	<u>52,551</u>	<u>648,898</u>	<u>993,396</u>
DEPRECIATION				
At 1 January 2008	110,845	-	455,092	565,937
Charge for year	39,069	-	80,332	119,401
Eliminated on disposal	(266)	-	-	(266)
At 31 December 2008	<u>149,648</u>	<u>-</u>	<u>535,424</u>	<u>685,072</u>
NET BOOK VALUE				
At 31 December 2008	<u>142,299</u>	<u>52,551</u>	<u>113,474</u>	<u>308,324</u>
At 31 December 2007	<u>157,145</u>	<u>-</u>	<u>111,577</u>	<u>268,722</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Computer equipment £
COST	
Additions	56,197
At 31 December 2008	<u>56,197</u>
DEPRECIATION	
Charge for year	1,545
At 31 December 2008	<u>1,545</u>
NET BOOK VALUE	
At 31 December 2008	<u>54,652</u>

HCD Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2008**

9. TANGIBLE FIXED ASSETS - continued

Company

	Fixtures and fittings £	Assets in the course of construction £	Computer equipment £	Totals £
COST				
At 1 January 2008	163,301	-	143,065	306,366
Additions	4,033	52,551	62,038	118,622
Disposals	(1,311)	-	-	(1,311)
At 31 December 2008	<u>166,023</u>	<u>52,551</u>	<u>205,103</u>	<u>423,677</u>
DEPRECIATION				
At 1 January 2008	55,183	-	108,726	163,909
Charge for year	24,738	-	32,563	57,301
Eliminated on disposal	(266)	-	-	(266)
At 31 December 2008	<u>79,655</u>	<u>-</u>	<u>141,289</u>	<u>220,944</u>
NET BOOK VALUE				
At 31 December 2008	<u>86,368</u>	<u>52,551</u>	<u>63,814</u>	<u>202,733</u>
At 31 December 2007	<u>108,118</u>	<u>-</u>	<u>34,339</u>	<u>142,457</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Computer equipment £
COST	
Additions	56,197
At 31 December 2008	<u>56,197</u>
DEPRECIATION	
Charge for year	1,545
At 31 December 2008	<u>1,545</u>
NET BOOK VALUE	
At 31 December 2008	<u>54,652</u>

10. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2008 and 31 December 2008	<u>517,078</u>
NET BOOK VALUE	
At 31 December 2008	<u>517,078</u>
At 31 December 2007	<u>517,078</u>

HCD Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2008

10. FIXED ASSET INVESTMENTS - continued

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

HCD Building Control Limited

Nature of business: Building approval inspectors

Class of shares:	%
Ordinary	holding 100.00

HCD Management Limited

Nature of business: Construction project management and

Class of shares:	%
Ordinary	holding 100.00

HCD Eng. Limited

Nature of business: Consultant structural engineering

Class of shares:	%
Ordinary	holding 100.00

HCD Specialist Services Limited

Nature of business: Construction industry regulatory audits

Class of shares:	%
Ordinary	holding 100.00

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Trade debtors	1,877,642	2,586,535	-	-
Amounts owed by group undertakings	-	-	896,497	1,236,683
Amounts recoverable on contract	298,246	392,353	-	-
Other debtors	59,662	25,138	48,995	33,803
Deferred tax asset	8,563	4,800	-	-
Prepayments and accrued income	117,882	106,926	35,124	35,340
	<u>2,361,995</u>	<u>3,115,752</u>	<u>980,616</u>	<u>1,305,826</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Bank loans and overdrafts (see note 14)	394,972	397,344	394,972	424,576
Hire purchase contracts (see note 15)	17,072	-	17,072	-
Payments on account	114,444	112,932	-	-
Trade creditors	133,796	187,281	75,189	42,799
Amounts owed to group undertakings	-	-	-	16,249
Corporation tax	210,718	324,663	65,866	49,699
Social security and other taxes	547,623	644,684	21,729	31,561
Other creditors	345	-	-	-
Directors' current accounts	100,000	300,000	100,000	300,000
Accruals and deferred income	132,854	263,870	84,051	152,799
	<u>1,651,824</u>	<u>2,230,774</u>	<u>758,879</u>	<u>1,017,683</u>

HCD Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2008**

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Bank loans (see note 14)	527,609	432,768	527,609	432,768
Hire purchase contracts (see note 15)	35,018	-	35,018	-
Directors current accounts	340,986	388,559	340,986	388,559
	<u>903,613</u>	<u>821,327</u>	<u>903,613</u>	<u>821,327</u>

14. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Amounts falling due within one year or on demand:				
Bank overdrafts	250,851	263,555	250,851	290,787
Bank loans	144,121	133,789	144,121	133,789
	<u>394,972</u>	<u>397,344</u>	<u>394,972</u>	<u>424,576</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	156,421	144,515	156,421	144,515
Amounts falling due between two and five years:				
Bank loans - 2-5 years	371,188	288,253	371,188	288,253

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group

	Hire purchase contracts	
	2008 £	2007 £
Net obligations repayable:		
Within one year	17,072	-
Between one and five years	35,018	-
	<u>52,090</u>	<u>-</u>

Company

	Hire purchase contracts	
	2008 £	2007 £
Net obligations repayable:		
Within one year	17,072	-
Between one and five years	35,018	-
	<u>52,090</u>	<u>-</u>

HCD Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2008

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following operating lease payments are committed to be paid within one year:

Group

	Other operating leases	
	2008 £	2007 £
Expiring:		
Within one year	52,228	96,147
Between one and five years	239,598	156,293
In more than five years	85,000	85,000
	<u>376,826</u>	<u>337,440</u>

Company

	Other operating leases	
	2008 £	2007 £
Expiring:		
Within one year	-	1,322
Between one and five years	100,936	-
In more than five years	-	85,000
	<u>100,936</u>	<u>86,322</u>

16. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Bank overdrafts	250,851	263,555	250,851	290,787
Bank loans	671,730	566,557	671,730	566,557
	<u>922,581</u>	<u>830,112</u>	<u>922,581</u>	<u>857,344</u>

The overdraft and bank loans are secured by personal guarantees from the directors A H Dyer, J D Butler and N G J Cole and a guarantee and debenture from HCD Group Limited and its subsidiaries, HCD Eng. Limited, HCD Building Control Limited, HCD Specialist Services Limited and HCD Management Limited.

17. PROVISIONS FOR LIABILITIES

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Deferred tax	<u>18,685</u>	<u>13,964</u>	<u>18,685</u>	<u>12,600</u>

HCD Group Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2008**

17. PROVISIONS FOR LIABILITIES - continued

Group

	Deferred tax £
Balance at 1 January 2008	13,964
Movement in year	4,721
	<u>18,685</u>
Balance at 31 December 2008	<u>18,685</u>

Company

	Deferred tax £
Balance at 1 January 2008	12,600
Movement for Year	6,085
	<u>18,685</u>
Balance at 31 December 2008	<u>18,685</u>

18. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2008	2007
		£0.01	£ 3,230	£ 3,230
323,000	Ordinary		<u>3,230</u>	<u>3,230</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2008	2007
		£0.01	£ 3,090	£ 3,090
309,000	Ordinary		<u>3,090</u>	<u>3,090</u>

19. RESERVES

Group

	Profit and loss account £
At 1 January 2008	1,004,201
Profit for the year	437,046
Dividends	(441,870)
Share-based payments	24
	<u>999,401</u>
At 31 December 2008	<u>999,401</u>

Company

	Profit and loss account £
At 1 January 2008	110,809
Profit for the year	348,604
Dividends	(441,870)
Share-based payments	24
	<u>17,567</u>
At 31 December 2008	<u>17,567</u>

HCD Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2008

20. RELATED PARTY DISCLOSURES

Transactions with other companies within the group have not been disclosed as the company has taken advantage of FRS8 (Related Party Transactions).

During the year the group occupied premises owned by The Amigos Partnership, of which certain directors of the company and their wives are partners. Rent of £86,146 (2007: £85,000) was paid to the partnership during the year. An amount of £8,323 (2007: £8,323) was outstanding at the year end and is included within Trade Creditors.

During the year HCD Building Control, a subsidiary of HCD Group Limited, also occupied premises owned by a partnership in which certain directors of the company are partners. Rent of £28,488 (2007: £28,488) was paid to the partnership during the year. No balances were outstanding at the year end.

21. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2008 £	2007 £
Profit for the financial year	437,046	634,709
Dividends	(441,870)	(456,280)
	(4,824)	178,429
Share issue		
Share-based payments	24	383
Net (reduction)/addition to shareholders' funds	(4,800)	178,812
Opening shareholders' funds	1,007,291	828,479
Closing shareholders' funds	1,002,491	1,007,291

Company

	2008 £	2007 £
Profit for the financial year	348,604	546,979
Dividends	(441,870)	(456,280)
	(93,266)	90,699
Share issue		
Share-based payments	24	383
Net (reduction)/addition to shareholders' funds	(93,242)	91,082
Opening shareholders' funds	113,899	22,817
Closing shareholders' funds	20,657	113,899

HCD Group Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2008

23. SHARE OPTIONS

Certain senior executives hold options to subscribe for shares in the company at a price of 0.01p per share. No options were exercised during 2008 and no options lapsed on cessation of employment of certain individuals.

The number of shares subject to options, the periods in which they were granted and the exercise price are given below:

Year of grant	Exercise price	Number of share options
2005	0.01p	3,000
2006	0.01p	3,000
2007	0.01p	42,000
2008	0.01p	3,000
		<hr/>
		51,000
		<hr/>

The exercise price is considered by the directors to equate to the fair value of the shares at the grant date.

Two equity settled share-based payment schemes were operated by the company during the year: an Enterprise Management Incentive (EMI) scheme of which 16,220 options have been granted, and a Company share option plan of which 34,780 options have been granted.

Of the EMI options and Company share options granted, 33,000 options have no vesting requirements whilst 18,000 options may be exercised when certain turnover and profit margin targets are achieved.

The total recognised expense relating to share based payments in 2008 was £29 (2007: £383), all of which related to equity settled share schemes. It is assumed that 100% of the options granted will be exercised.