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Lovell

Annual Report & Accounts 1978

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Y J Lovell (Holdings) Ltd

Contents

Superstore and multi-storey car park, Portsmouth

Front Cover: National Hospital for Nervous Diseases, London

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of the Company will be held at the Portman Hotel, Portman Square, London W.1 on TUESDAY 20th March 1979 at 3 p.m. for the following purposes:—

1 To approve and adopt the accounts for the year ended 30th September 1978, together with the reports of the directors and auditors (resolution 1).

2 To declare a dividend of 2.85p per share on the fully paid Ordinary shares payable on 2nd April 1979 (resolution 2).

3 To re-elect the following directors who retire in accordance with the Company's Articles of Association:
James Greig Laing (Article 102) (resolution 3a)
Ian David McIntyre (Article 97) (resolution 3b)
Geoffrey Eric Segrove (Article 97) (resolution 3c).

4 To appoint Messrs Turquands Barton Mayhew & Co. and F. L. Rouse & Co. joint auditors of the Company and to authorise the directors to fix their remuneration (resolution 4).

By Order of the Board,
H. W. Hicks,
Secretary.

23rd February 1979

Notes

Only holders of Ordinary shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy, who need not be a member of the Company, to attend (and on a poll to vote) instead of him.

A proxy form is enclosed.

The following information, which is available for inspection during business hours at the Transfer Office, will on the day of the meeting be available for inspection at The Portman Hotel from 2.45 p.m. until the conclusion of the meeting:—

1 A register of directors' interests in the share capital and debentures of the Company.

2 A copy of a service agreement under which a director of the Company is employed.

President

E. F. Burrows, F.I.O.B.

Directors

Peter Trench, C.B.E., *Chairman*
Norman E. Wakefield, F.I.O.B., *Managing*
A. W. Davies, F.I.O.B.
Sir Donald Gosling
J. G. Laing, F.C.I.S.
P. H. P. Lovell, F.I.O.B.
I. D. McIntyre
Geoffrey Segrove, F.I.O.B.

Secretary

H. W. Hicks, M.I.O.B.

Joint Auditors:

F. L. Rouse & Co.
Turquands Barton Mayhew & Co.

Registered Office:

Marsham House, Gerrards Cross, Bucks.

Registrar's and Transfer Office:

35, High Street, Marlow, Bucks.

Report of the Directors

The directors submit the Balance Sheet of the Company and the Consolidated Balance Sheet at 30th September 1978 and the Consolidated Profit and Loss Account for the year ended on that date, together with supporting notes.

Activities
The principal activities of the Group continue to be the construction of all types of building, residential and commercial development and the importing and merchanting of timber, supported by a number of subsidiary activities ancillary to the main businesses of the Group.

Trading Results
The consolidated profit for the year ended 30th September 1978 before taxation amounted to £1,929,000 as follows:—

	1978 £000	1977 £000
Construction and related activities	1,934	1,126
Timber importing and merchanting	350	754
Losses of associated companies	(355)	(174)
	1,929	1,706

The turnover of the Group, none of which related to exports, was as follows:—

	1978 £000		1977 £000	
Construction and related activities	53,632	84%	45,688	82%
Timber importing and merchanting	10,238	16%	9,788	18%
	63,870	100%	55,476	100%
Less: Inter-divisional sales	1,200		1,365	
	62,670		54,111	

Appropriations
The consolidated profit for the year after taxation was £1,724,000 (1977 £1,560,000). Preference dividends for the year have been paid. An interim net dividend of 1.5p per Ordinary share (1977 1.5p) was paid on 2nd October 1978 and the directors recommend a final net dividend of 2.85p per share (1977 2.39p) – making a total of 4.35p per share (1977 3.89p). The amount of the total dividends on Ordinary shares is £299,000 (1977 £268,000). Subject to the necessary approval of the members being given at the Annual General Meeting to be held on 20th March 1979, the final dividend on Ordinary shares will be paid on 2nd April 1979 to members on the register on 19th February 1979.

Directors
The names of the directors of the Company at the date of this report are set out on page 1. In addition Mr. J. D. Burrows and Mr. D. M. Lintott served as directors until their resignations on 13th December 1977 and 22nd February 1979 respectively. Mr. J. G. Laing was appointed to the Board on 1st May 1978; he retires under the provisions of Article 102 and, being eligible, offers himself for re-election. Mr. I. D. McIntyre and Mr. G. E. Segrove retire by rotation under the provisions of Article 97 and, being eligible, offer themselves for re-election. The interests of the directors, their wives and infant children were as follows:—

	Ordinary shares of 25p 31.1.79	Ordinary shares of 25p 30.9.78	Ordinary shares of 25p 30.9.77	7% Cumulative Preference shares of £1 31.1.79	7% Cumulative Preference shares of £1 30.9.78	7% Cumulative Preference shares of £1 30.9.77
Peter Trench	34,764	34,764	34,764			
Norman E. Wakefield	45,000	5,000	5,000			
A. W. Davies	185,552	185,552	185,552			
Sir Donald Gosling	1,944,260	1,481,260	1,397,760			
J. G. Laing (shares purchased 21.12.78)	10,000					
P. H. P. Lovell	132,530	132,530	132,530	2,015	2,015	2,015
I. D. McIntyre	23,923	2,923	2,923			
Geoffrey Segrove	113,861	123,861	131,361	308	308	308

The interests of Sir Donald Gosling are as follows:—

	Ordinary shares of 25p		
	31.1.79	30.9.78	30.9.77
In own and wife's name	82,824	72,824	43,324
Joint ownership with R. F. Hobson	1,269,613	1,269,613	1,215,613
National Car Parks Ltd.	453,000	—	—
Non-beneficial	138,823	138,823	138,823
	1,944,260	1,481,260	1,397,760

A. W. Davies was interested in £3,800 8½% Debenture stock on each of the above dates.

Shareholdings
The Company is not a 'close company' as defined by the Income and Corporation Taxes Act, 1970. So far as the directors are aware, interests at 31st January 1979 (other than those of a director) in excess of 5% of the issued Ordinary shares were 393,750 shares in the name of Imperial Chemicals Staff Pension Fund.

Directors' interests in Contracts
During the year a number of building contracts subsisted between a subsidiary company and companies in which Sir Donald Gosling had a material interest as follows:—

(a)	Value of contracts which subsisted prior to 30th September 1977.	£165,000
(b)	Value of contracts entered into during the year ended 30th September 1978.	£220,000
(c)	Value of contracts subsisting at 30th September 1978.	£190,000
(d)	Total turnover in respect of all contracts which subsisted during the year ended 30th September 1978.	£230,000

Contracts amounting to £59,662 for the sale of freehold properties to Norman E. Wakefield were entered into during the year in the normal course of business.

Employees
During the year ended 30th September 1978 the weekly average number of direct employees in the Group was 2,226 (1977 2,276); their aggregate remuneration amounted to £8,905,803 (1977 £8,012,609).

Donations
Charitable donations amounting to £1,380 (1977 £2,550) were made during the year.

Auditors
F. L. Rouse & Co. and Turquands Barton Mayhew & Co. have expressed their willingness to continue as auditors. A resolution will be proposed appointing them and authorising the Board to fix their remuneration.

Inflation Accounting
An interim recommendation has been issued by the accountancy bodies as to the form and content of inflation adjusted accounts. Accordingly, this Annual Report includes on page 17 a statement of results as adjusted along the lines proposed in this recommendation.

By Order of the Board,
H. W. Hicks,
Secretary.
23rd February 1979

Statement by the Chairman

GENERAL

Company historians of the future may well look back at 1978 as one of the milestones in the long history of the Lovell Group. It was not a year of spectacular profit growth although we managed once again to better previous records: nor was it a year when we launched into any major new field of construction. It was, however, a year of corporate consolidation, culminating in the successful outcome to the negotiations for the acquisition of the Farrow Group from I.C.I. The 13% increase in Group profit, by no means substantial but not unsatisfactory in the prevailing conditions, was little measure of the increase in resource strength of the Group during the year under review. It was the first year of operating within the controls and disciplines of a three year plan.

In fact, by comparison with the three previous years, 1978 was not as bad as the construction industry had feared. Nevertheless, competition was fierce and the volume of work released to the industry was some 25% down in real terms on the peak of the early 70's. It could be fairly argued that that peak was unhealthily high. But the extent and the rapidity of the downturn which followed was equally unhealthy and the industry has suffered accordingly. The fact that the Lovell Group has possibly suffered less than many stems from two policy decisions taken in the past. The first was so to organize its diversified activities as to minimise the probability of simultaneous recession and the second was, by geographical spread, to reduce dependence on a volatile and highly competitive regional construction market over which it had little or no control. This has resulted, to date, in consistent rather than spectacular progress.

DIVISIONAL OPERATIONS

Construction

Contracting

To say that last year we steered clear of major problems, avoided "buying" work but nevertheless attained an increased turnover might sound somewhat negative but, in the existing market conditions, this was no mean feat. We were helped by the fact that the Group serves the whole spectrum of the market and, whereas the larger contract was elusive, we took full advantage of the turn of the market in favour of smaller work. It is pleasing to note that we were invited to negotiate more work than previously on a fee basis. It is my personal opinion, and I have expressed it on numerous occasions, that contracting on this basis, if properly controlled, is of benefit to all parties. There is a good case to be made, however, for keeping such work in a separate division and our recent successes have led us to set up a Management Fee Contracting Division especially for this purpose.

Residential Development

1978 was a record year for Lovell Homes both in number of units built and sold. It was a more profitable year too because prices increased faster than building costs and the price: earnings ratio (the key to house prices) reached new levels after lagging for a number of profitless years for many house-builders. By restricting Building Society lending in 1978, the Government, in an apparently well-intentioned but, in my view, misguided attempt to control the increase of house prices, both frustrated the real overall demand for owner-occupation and produced a loss of confidence among many house-builders. This is likely to result in a reduction in the number of new-house starts in 1979 and a consequential rise in price, the very antithesis of what was intended.

But it is the availability of land on which to build houses rather than lack of finance which is likely to be the long-term obstacle to the fulfilment of the deep-rooted desire for home ownership by the majority of people in this country. Land made available in derelict city centres, however carefully a good environment is re-established, can only supplement out-of-town green field sites where so many aspiring home owners prefer to live. From where is this land going to come? The crisis point may not be with us yet but it soon will be. There appears to be an appalling lack of any sense of urgency among those at national level who are in a position to encourage the availability of land and a parochial philosophy lower down which decrees that whereas home-ownership is something to be encouraged, it should be encouraged in somebody else's parish. The restraints of taxation, the delays of planning and the insipid relationship of Central to Local Government are the determining factors in this deteriorating situation, but who has the will and the strength to influence them? The acceleration of our own land purchase programme in 1977 and early 1978 is standing us in good stead. The first part of the major infrastructure work at Warmley, near Bristol, our largest recent purchase, is now well advanced, with a view to marketing the first houses this financial year.

Commercial and Industrial Development

Both the rent roll from our own investments and the proceeds from sales of Developments are now making an important profit contribution to the Group, a contribution which will be enhanced by the acquisition of the Farrow Group with its own industrial development activities. Last year, we took full advantage of the upturn in the market and accelerated the completion of our industrial estate at Marlow with other Developments at High Wycombe, Beckenham and Maidenhead. We have a number of interesting projects in the pipeline, from a private nursing home near Basingstoke to an office development in Berkeley Square, Mayfair.

Plant Hire

As predicted, our plant operations have increased both in turnover and profitability during the year. Well directed from the headquarters in High Wycombe, the activities of this Division now extend across most of Southern England and the South Midlands. The newly acquired Red Chequer plant company will further strengthen these activities as well as providing an extension of operations to the Manchester area.

This Division is likely to continue to maintain its position as one of the most important profit centres of the Group.

Timber

There was a disappointing profit contribution in 1978 from the Timber Division which has played such a major part in the success of the Group during the last few years. In a difficult year for the trade generally, the Swindon company performed particularly well, but the King's Lynn operation never really recovered from the serious effect of the devastating floods earlier in the year when the main mill was submerged in nearly three feet of sea-water. The most disappointing result, however, came from the timber component manufacturing company whose overhead recovery required a turnover greatly in excess of that achieved. Firm measures are being taken to rectify the position but it will take a little time yet before the factory is on a sound profitable footing once again.

Our long-term confidence in this Division remains and during the course of the year the Group acquired Frank Aldridge (Norfolk) Ltd., timber and builders' merchants near Norwich.

Overseas

The news of our overseas operations during 1978 is mixed. Although we did succeed in negotiating a contract for the sale and erection of some of our 12M export timber framed homes in the Middle East, we failed both in Dubai and in Saudi Arabia during the year to obtain any work at prices we considered acceptable. We have therefore withdrawn from the area. We will, however, continue to look at opportunities as they arise.

In Nigeria good fortune continues to elude our Joint Venture Company. First, and with sadness, I have to report the death earlier in the year of our highly esteemed Chairman, Chief Henry Fajemirokun. He died suddenly of a heart attack at a comparatively young age. He has been succeeded by Dr. Adenji Adeoba. Secondly, just as the operation was at last settling down on a profitable footing, we experienced a technical setback on a major contract for the Ministry of Defence. Despite the sympathetic and friendly co-operation of the Nigerian officials, the delay involved has again seriously impeded our progress to profits.

In the U.S.A. I am glad to report a far happier set of circumstances. Our Joint Venture is now in full swing and, together with our American partners, Lovell/IMG can be said — to use an

Statement by the Chairman (continued)

Americanism — to have arrived. Indeed, our main problem with this operation, which embraces land assembly, project management and house-building in Maryland and Virginia, is to control its potential growth within the resources available.

THE FARROW GROUP
On 10th October 1978 we purchased from Imperial Chemical Industries Ltd. the whole of the issued share capital of the Farrow Group. Details of the transaction were circulated to shareholders on 31st October. Farrow, a long established company of national repute with bases in London, Altrincham and Devizes has, with the exception of timber importing, interests complementary to ours and its acquisition not only enables us to increase our penetration of the construction market geographically, the need for which I mentioned in my Statement last year, but it also usefully adds to our commercial and industrial development potential. Although in order to take advantage of the benefits of this acquisition some rationalization is necessary, it is our intention that the construction companies should continue to trade as Farrow Construction Ltd., Farrow Construction (Northern) Ltd. and F. Rendell & Sons Ltd., equal members of the Lovell family.

PEOPLE
There have been a number of retirements during the year and it would be invidious to single out any name for particular mention: without exception, these men and women have served us well and it is partly through their efforts that the Lovell Group is as strong as it is today. I must make one exception, however, in the case of David Lintott, a colleague on the Holdings Board, who is not seeking re-election at the Annual General Meeting. He joined us some six years ago as our Group Financial Director. He brought a degree of specialist professional expertise which we badly needed at the time and he has contributed to the successful growth of the Group. He has been a good and loyal friend. Jim Laing who succeeded him as Group Financial Director is no newcomer to Construction financial affairs, having spent many years in a similar capacity with another major company in the industry. He is a very welcome new member of our Board.
It is here, too, that I would like to pay tribute to all those who have worked so very hard, sometimes in difficult circumstances, during 1978. It is trite to say that construction is essentially a team effort, but it is a fact that with a Group such as ours it is the combined efforts of all from director to tea boy that make for success.

FUTURE
1979 will see the run up to a General Election, the timing and outcome of which is far from clear at the time of writing. On that outcome depends the level of interest rates, fiscal policy, capital expenditure in the public sector and many other factors which have to be taken into account when making predictions for the future of construction. However, the inevitable time lag of the effect of national political and economic decisions on our industry means that soon we will have reached a point when a change of Government is unlikely seriously to influence the present financial year of the Lovell Group.
I expect the Farrow Group to make a contribution to our overall profit. I look forward to a successful year for commercial and industrial development. Plant Hire should continue to do well. On the debit side, however, competition for a volume of construction, unlikely to be much greater than in 1978, will continue to be fierce. I anticipate a hardening of margins on house sales in that building costs are likely to rise more rapidly and prices to rise less rapidly than last year, and I see no real improvement in the immediate prospects for our Timber Division. Overseas, there is every reason to believe that our activities in the U.S.A. will do well, but there must remain a question mark over Nigeria. Added to all this, the weather and the hauliers' strike made January a wretched month for Construction. The balance is a fine one, but if determination counts for anything 1979 should match the record profit of 1978.

PETER TRENCH

Report of the Auditors

Report of the Auditors
To the Members of Y. J. Lovell (Holdings) Limited

We have examined the accounts on pages 8 to 16 and 20, which have been prepared under the historical cost convention and include the revaluation of properties.

In our opinion the accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company and, so far as concerns members of the company, of the group at 30th September 1978 and of the profit and the source and application of funds of the group for the year ended on that date and comply with the Companies Acts 1948 and 1967.

We have also examined the current cost statement on page 17 which in our opinion has been properly prepared on the basis stated in the notes thereon.

Turquands Barton Mayhew & Co., London.

F. L. Rouse & Co., Beaconsfield.

Chartered Accountants.

25th January 1979

Consolidated Profit and Loss Account for the year ended 30th September 1978

	Notes	£000	1978 £000	£000	1977 £000
Turnover			**62,670**		**54,111**
Trading profit	2		2,284		1,880
Shares of losses of associated companies			355		174
Profit before taxation			**1,929**		**1,706**
Taxation					
On year's profit	4		205		146
Trading profit after taxation			**1,724**		**1,560**
Dividends					
On Preference shares for the year (paid)		14		14	
On Ordinary shares for the year (paid)—Interim		103		103	
(proposed)—Final		196		165	
			313		282
Profits Retained			**1,411**		**1,278**
By the Company			646		222
By subsidiary companies			765		1,056
Earnings per Ordinary share	5		**24.9p**		**22.5p**

Balance Sheets as at 30th September 1978

	Notes	Group 1978 £000	Group 1977 £000	Company 1978 £000	Company 1977 £000
Issued share capital	6	1,994	1,994	1,994	1,994
Capital reserve	7	4,459	4,459	4,127	4,127
Revenue reserve	8	8,398	6,987	3,647	3,001
		14,851	13,440	9,768	9,122
Deferred taxation	9	158	222	—	—
Minority interests in a subsidiary company		19	19	—	—
8½% Debenture stock 1987/92	10	1,533	1,533	1,533	1,533
		16,561	15,214	11,301	10,655
Fixed assets	11	9,044	8,318	8,587	7,777
Interests in associated companies	12	6	195	—	35
Interests in subsidiary companies	13	—	—	4,811	5,317
Current assets	14	23,452	19,399	91	95
		32,502	27,912	13,489	13,224
Less: Current liabilities	15	15,941	12,698	2,188	2,569
		16,561	15,214	11,301	10,655

Directors
Peter Trench
J. G. Laing

Notes on the Accounts

1 Accounting Policies

Basis of consolidation: The consolidated accounts comprise those of the Company and all its subsidiaries together with the Group's attributable share of the results of the associated companies. All intra-group transactions are eliminated.

Contract work in progress: Values of uncompleted contracts are included at cost plus attributable profit on the basis used by Group surveyors when preparing valuations for claiming progress payments and after providing for anticipated losses or additional costs.

Developments and undeveloped land: These assets are stated at the lower of cost and net realisable value. Cost, in the case of properties under development, includes related development overheads and interest.

Stocks: Stocks are valued at the lower of delivered cost and net realisable value.

Turnover: The amount is the sum of the value of work executed during the year in respect of contracting and the invoiced value of sales in respect of trading, excluding sales within the Group.

Depreciation: No depreciation is provided on the freehold or long-term leasehold properties. Other assets are depreciated so as to write off each fixed asset evenly over its remaining life.

Deferred Taxation: Deferred taxation is calculated at the current rate of corporation tax to take account of the tax reduction arising from timing differences other than those expected to continue for the foreseeable future.

2 Trading Profit

	1978 £000	1977 £000
The trading profit is stated after charging:		
Depreciation	203	244
Hiring and leasing of plant and vehicles	1,395	1,000
Directors' emoluments, including pension contributions	156	159
Payment to a former director in respect of cessation of employment with a subsidiary company	32	—
Auditors' remuneration	35	28
Debenture interest payable	130	130
Interest on bills, bank overdrafts and other short-term finance	655	464
Minority Interests – Preference dividends of a subsidiary company	1	1
and after crediting:		
Net rents receivable (external to group)	328	292
Profit on realisation of fixed assets	88	99

3 Emoluments of Directors and Higher Paid Employees

The tables which follow show the number of directors and higher paid employees whose emoluments during the year were within the bands stated.

(a) Directors	1978	1977
Remuneration band	Number in each category	
£2,501—£5,000	2	2
£5,001—£7,500	1	—
£7,501—£10,000	—	1
£10,001—£12,500	1	2
£12,501—£15,000	1	—
£15,001—£17,500	1	2
£17,501—£20,000	2	1
£22,501—£25,000	2	2
Remuneration of the Chairman	£17,466	£17,230
Remuneration of the highest-paid director	£23,015	£23,817
No fees were paid		

(b) Higher Paid Employees		
£10,001—£12,500	21	11
£12,501—£15,000	7	9
£15,001—£17,500	2	—

4 Taxation

	1978 £000	1977 £000
The charge on the year's profit represents:		
Deferred taxation	51	—
Advance corporation tax	154	146
	205	146

Because of stock relief, no corporation tax liability arises on the profit for either of the years ended 30th September 1977 or 1978.

5 Earnings per Ordinary Share

Earnings per Ordinary share are based on the after-tax profits of the Group, £1,724,000 (1977 £1,560,000) less Preference dividends paid of £14,000 (1977 £14,000) divided by the number of Ordinary shares in issue, 6,877,740.

Notes on the Accounts (continued)

6 Capital

The share capital is as follows:	Authorised £	Issued Fully Paid £
7.5% (now 5.25%+tax credit) Redeemable Cumulative Preference shares of £1 each	250,000	250,000
7% (now 4.9%+tax credit) Cumulative Preference shares of £1 each	25,000	25,000
Ordinary shares of 25 pence each	2,500,000	1,719,435
	£2 775,000	£1,994,435

The Redeemable Cumulative Preference shares are redeemable by the Company at £1.05 per share on 30th September 1982 or, at the Company's discretion, within the preceding two years.

7 Capital Reserve

There has been no movement during the year. The balances include £155,000 share premium.

8 Revenue Reserve

	Group £000	Company £000
Balance 1st October 1977	6,987	3,001
Profit for the year retained	1,411	646
	8,398	3,647

9 Deferred Taxation

Deferred taxation represents tax deferred by reason of accelerated capital allowances. Taxation deferred and not provided in the accounts comprises:—

	Group £000	Company £000
Stock relief	4,642	—
Industrial buildings allowances	646	646
Property revaluation surpluses	1,141	1,141
	6,429	1,787
Less: Advance corporation tax	618	595
	5,811	1,192

Property revaluation surpluses represent corporation tax on the capital gain which would arise if the properties were disposed of at their present book value.

10 Debenture Stock

The £1,532,625 8½% Debenture stock (secured) is repayable on 30th September 1992 or, at the Company's discretion, within the preceding five years.

11 Fixed Assets

	Freehold Properties	Leasehold Properties Long	Leasehold Properties Short	Total Properties	Plant	Vehicles	Total Fixed Assets
	£000	£000	£000	£000	£000	£000	£000
Group							
Cost or valuation 1st October 1977	7,116	600	39	7,755	1,102	179	9,036
Additions	838	66	—	904	116	107	1,127
Disposals and transfers	(86)	—	—	(86)	(154)	(59)	(299)
	7,868	666	39	8,573	1,064	227	9,864
Accumulated depreciation	—	—	5	5	717	98	820
Net book value: 30th September 1978	7,868	666	34	8,568	347	129	9,044
30th September 1977	7,116	600	39	7,755	472	91	8,318
Company							
Cost or valuation 1st October 1977	7,116	600	39	7,755	88	—	7,843
Additions	838	66	—	904	—	—	904
Disposals and transfers	(86)	—	—	(86)	—	—	(86)
	7,868	666	39	8,573	88	—	8,661
Accumulated depreciation	—	—	5	5	69	—	74
Net book value: 30th September 1978	7,868	666	34	8,568	19	—	8,587
30th September 1977	7,116	600	39	7,755	22	—	7,777

Freehold and leasehold properties at 30th September 1978

	£000	£000
Properties occupied by the Group		
Freehold—at professional valuation in 1977	3,023	
at cost	506	3,529
Short Leasehold—at professional valuation in 1977 less depreciation		34
Long Leasehold—at cost		66
Investments		
Freehold—at professional valuation in 1977	4,007	
at cost	332	4,339
Long Leasehold—at professional valuation in 1977		600
		8,568

Notes on the Accounts (continued)

12 Interests in Associated Companies

Details of associated companies are noted on page 20.

	Group 1978 £000	Group 1977 £000	Company 1978 £000	Company 1977 £000
Shares at cost	6	7	6	7
Amounts due	613	446	138	138
	619	453	144	145
Less: Losses	613	258	144	110
	6	195	—	35

Audited accounts at 30th September 1978 have not been received in respect of the overseas companies.

13 Interests in Subsidiary Companies

Details of principal subsidiary companies are noted on page 20.

	1978 £000	1977 £000
Shares at cost less amount written off	1,488	1,477
Amounts due	3,323	3,840
	4,811	5,317

With the exception of the timber trading companies which are not audited by either of the auditors of the parent company, the accounts of the subsidiary companies are audited by F. L. Rouse & Co.

14 Current Assets

	Group 1978 £000	Group 1977 £000	Company 1978 £000	Company 1977 £000
Contract work in progress and debtors	42,377	62,549		
Less: Cash received on account of work in progress	36,206	58,510		
	6,171	4,039		
Developments and undeveloped land	8,742	7,788		
Stocks	4,188	3,777		
Trade debtors and debit balances	4,315	3,740	77	95
Cash at bank and in hand	36	55	14	
	23,452	19,399	91	95

15 Current Liabilities

	Group 1978 £000	Group 1977 £000	Company 1978 £000	Company 1977 £000
Bank overdrafts—secured	3,646	3,226	1,693	2,122
Bills payable	1,500	1,087		
Creditors and accrued charges	9,394	6,722	45	38
Advance payments on account of work in progress	836	1,25[illegible]		
Current taxation	266	141	151	141
Proposed Ordinary dividend	299	268	299	268
	15,941	12,698	2,188	2,569

16 Capital Commitments

Capital expenditure authorised by the directors but not incurred as at 30th September 1978 is estimated to amount to £703,000 (1977 £274,000) of which contracts already placed outside the Group amounted to £250,000 (1977 £34,000).

These commitments exclude the acquisition of Farrow Group Ltd. the contracts for which were exchanged on 10th October 1978.

17 Contingent Liabilities

The Company has given guarantees in respect of banking facilities as follows:—

	Subsidiaries	*Other*
Amount of guarantees	£5,210,000	£1,111,000
Amount outstanding at 30th September 1978	£3,298,000	£1,111,000

In addition the Company has guaranteed performance bonds in respect of contracts and leasing agreements entered into by subsidiary companies.

Y. J. Lovell (Holdings) Limited and Subsidiary Companies

Statement of Source and Application of Funds for the year ended 30th September 1978

		1978		1977
	£000	£000	£000	£000
Source				
Profit before taxation		1,929		1,706
Add: Depreciation		203		244
		2,132		1,950
Application				
Fixed asset purchases less sales		929		206
Dividend payments		282		253
Taxation payments		144		138
		1,355		597
Movement of Working Capital				
Work in progress, development land and stocks	3,497		3,060	
Debtors including amounts due from associated companies	386		(330)	
Creditors	(2,254)		(838)	
	1,629		1,892	
Movement in net liquid funds	(852)	777	(539)	1,353
		2,132		1,950

Current Cost Statement for the year ended 30th September 1978

	1978 £000	1977 £000
Turnover	62,670	54,111
Profit before taxation		
Per historical cost accounts	1,929	1,706
Preference dividends	(14)	(14)
Cost of sales adjustment	(731)	(1,231)
Depreciation adjustment	(135)	(120)
	1,049	341
Gearing adjustment	284	463
	1,333	804
Taxation	(205)	(146)
Adjusted profit after taxation	1,128	658
Dividends on Ordinary shares	(299)	(268)
Adjusted profit retained	829	390

Basis

The above statement has been prepared on the basis of the interim recommendation by the Accounting Standards Committee.

Indices

Historical costs have been adjusted by applying the most appropriate available indices.

Cost of sales adjustment

The adjustment represents the difference between the current cost at the date of sale and the historical cost, and has been made on the averaging method. However, no adjustment has been made to the historical cost of sales of the timber importing companies whose business is considered to be commodity trading.

Depreciation adjustment

The adjustment represents additional depreciation based on current cost of fixed assets.

Gearing adjustment

The gearing adjustment reflects the extent to which the cost of sales and depreciation adjustments may be regarded as attributable to stocks and fixed assets financed by net borrowings. It has been arrived at by applying to the cost of sales and depreciation adjustments the proportion of net monetary liabilities to the sum of the shareholders' funds and those net monetary liabilities. The proportion has been based on the average balance sheet values at the beginning and end of the year adjusted to the then current values.

Group Financial Record

Years ended 30th September

	1969 £000	1970 £000
Assets Employed		
Fixed assets	2,384	1,894
Interests in associated companies	144	42
Net current assets	2,172	2,519
Total assets employed	4,700	4,455
Financed by		
Ordinary capital	1,053	1,053
Group reserves	1,752	1,508
Preference capital	275	275
Minority interests	20	19
Deferred taxation	—	—
Debenture stock	1,600	1,600
Total funds invested	4,700	4,455
Sales & Profits		
Turnover—(External to the Group)		
Construction	16,232	17,145
Timber	2,849	2,476
Total	19,081	19,621
Profit before debenture interest & taxation	346	381
Profit before taxation	222	257
Taxation	82	94
Profit after taxation	140	163
Applicable to Lovell Group	140	163
Exceptional items	9	135
Dividends payable to shareholders	74	74
Income tax on dividends	52	52
Profit retained	5	(98)
Earnings per Ordinary share of 25 pence, adjusted by the effect of the rights issue in 1976	2.2p*	2.6p*
Rate of Ordinary dividend paid per 25p share	1.17p*	1.17p*
Group profit before debenture interest and taxation, as a percentage of mean total funds invested	7.3	8.3
Net assets per Ordinary share of 25p in issue at end of each year	53.3p	48.6p

*adjusted for 1 in 4 bonus issue in 1973

§revised basis for deferred tax from 1976

△properties revalued 30.9.77

1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2,384	1,894	2,146	2,356	3,087	3,402	3,635	4,444	8,318 △	9,044
144	42	465	1,330	946	1,212	1,058	715	195	6
2,172	2,519	2,126	1,466	1,861	2,123	3,811	4,865	6,701	7,511
4,700	4,455	4,737	5,152	5,894	6,737	8,504	10,024	15,214	16,561
1,053	1,053	1,179	1,179	1,474	1,474	1,503	1,719	1,719	1,719
1,752	1,508	1,617	1,847	2,134	2,483	2,991	6,256§	11,446 △	12,857
275	275	275	275	275	275	275	275	275	275
20	19	19	24	19	19	19	19	19	19
—	—	47	227	392	886	2,132	222	222	158
1,600	1,600	1,600	1,600	1,600	1,600	1,584	1,533	1,533	1,533
4,700	4,455	4,737	5,152	5,894	6,737	8,504	10,024	15,214	16,561
16,232	17,145	21,003	23,806	27,529	28,940	33,876	40,309	45,688	53,632
2,849	2,476	2,342	2,907	5,017	7,005	5,639	7,028	8,423	9,038
19,081	19,621	23,345	26,713	32,546	35,945	39,515	47,337	54,111	62,670
346	381	551	958	1,528	1,400	1,498	1,656	1,836	2,059
222	257	427	834	1,404	1,264	1,362	1,525	1,706	1,929
82	94	173	332	629	686	713	145§	146	205
140	163	254	502	775	578	649	1,380	1,560	1,724
140	163	254	497	774	577	649	1,380	1,560	1,724
9	135	30	—	—	73	—	—	—	—
74	74	103	103	122	131	141	253	282	313
52	52	65	65	4	—	—	—	—	—
5	(98)	56	329	648	373	508	1,127	1,278	1,411
2.2p*	2.6p*	4.1p*	7.9p*	12.5p*	9.4p	10.4p	21.9p§	22.5p	24.9p
1.17p*	1.17p*	1.53p*	1.53p*	1.83p*	1.98p	2.11p	3.48p	3.89p	4.35p
7.3	8.3	12.0	19.4	27.7	22.2	19.7	17.9	14.6 △	13.0
53.3p	48.6p	47.4p	51.3p	61.2p	67.1p	74.7p	116.0p§	191.4p △	212.0p

Principal Subsidiary Companies

All the issued share capital of the following companies is owned by Y. J. Lovell (Holdings) Limited with the exception of 18,819 7% Redeemable Cumulative Preference shares of £1 each fully paid in James Davies (Timber) Ltd. (*Shares held by a subsidiary):

Non-trading

Y. J. Lovell Construction Ltd.	*Gerrards Cross*

Building

Y. J. Lovell (London) Ltd.	*London*
Y. J. Lovell (Midland) Ltd.	*Gerrards Cross, Beaconsfield, Birmingham*
Y. J. Lovell (Building) Ltd.	*Eastbourne, Esher, Horsham, Midhurst*
Y. J. Lovell (Southern) Ltd.	*Guildford*
Walter Lilly & Co. Ltd.	*Westminster, Thornton Heath*
Lovell Housing Ltd.	*Marlow*
Lovell Specialist Treatments Ltd.	*Beaconsfield*

Property Development

Lovell Homes Ltd.	*Gerrards Cross, Birmingham, High Wycombe*
Lovell Developments Ltd.	*Gerrards Cross*
Western Estates (Lawes Cherry) Ltd.	*Cheltenham, Braunton*
Lovell Homes Western Ltd.	*Bristol*

Electrical

Locke & Soares Ltd.	*Horsham*
A. E. Birks & Sons Ltd.	*Gerrards Cross*

Plant

Lovell Plant Hire Ltd.	*High Wycombe, Leicester, Exeter, West Drayton, East Grinstead, New Malden, Bicester, Guildford, Birmingham, Heanor, Wollaston, Saltash, Bishop's Waltham, Ditchling, Taunton*

Timber

James Davies (Holdings) Ltd.	*Gerrards Cross*
Divisional Sales Office	*Harrow-on-the-Hill*
James Davies (Timber) Ltd.*	*Swindon*
Pattrick & Thompsons Ltd.*	*King's Lynn*
Crendon Timber Components Ltd.*	*Long Crendon*
Frank Aldridge (Norfolk) Ltd.*	*Norwich*

Garage

Marlow House Garages Ltd.	*London*

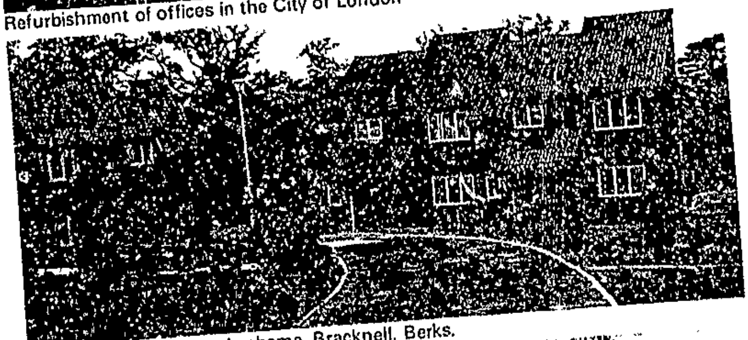
Associated Companies

	Group Holding
Lovell Estates Ltd. *Gerrards Cross*	49%
Lovell Stewart Construction Services Ltd. *London*	50%
Lovell Stewart International Ltd. *Jersey C.I.*	50%
Lovell Stewart (Nigeria) Ltd. *Lagos, Nigeria* (representing a 60% shareholding by Lovell Stewart International Ltd).	30%
Lovell/IMG Holdings Inc. *Baltimore, Maryland, U.S.A.*	50%

Cheney & Sons Ltd., Banbury

Superstore and petrol station at Spalding, Lincs.

Refurbishment of offices in the City of London



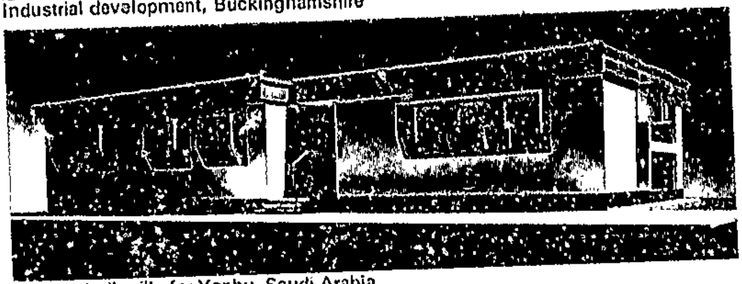
Low-cost design award scheme, Bracknell, Berks.

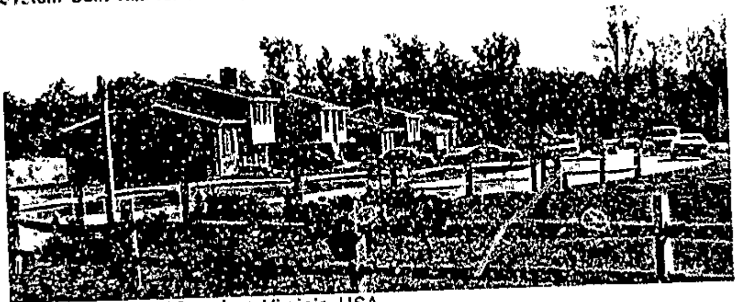
Woodworm, rot and damp treatment

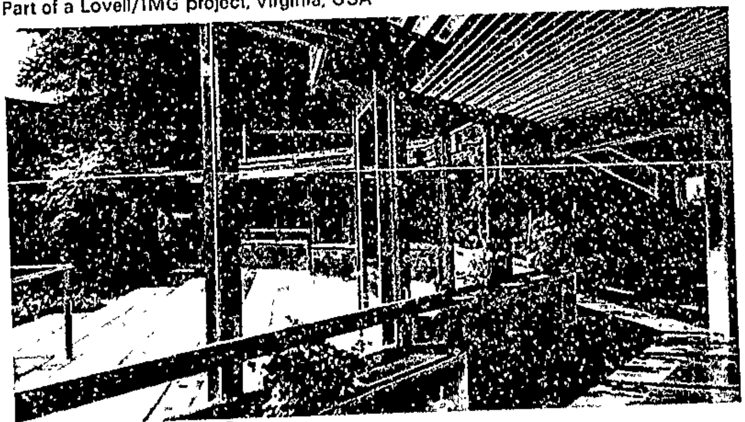
Award winning housing, London

...ment Prestwood, Buckinghamshire


Industrial development, Buckinghamshire


System-built villa for Yanbu, Saudi Arabia


Part of a Lovell/IMG project, Virginia, USA


Housing for the elderly, Surrey


Installation at our Crendon Timber Components modern factory