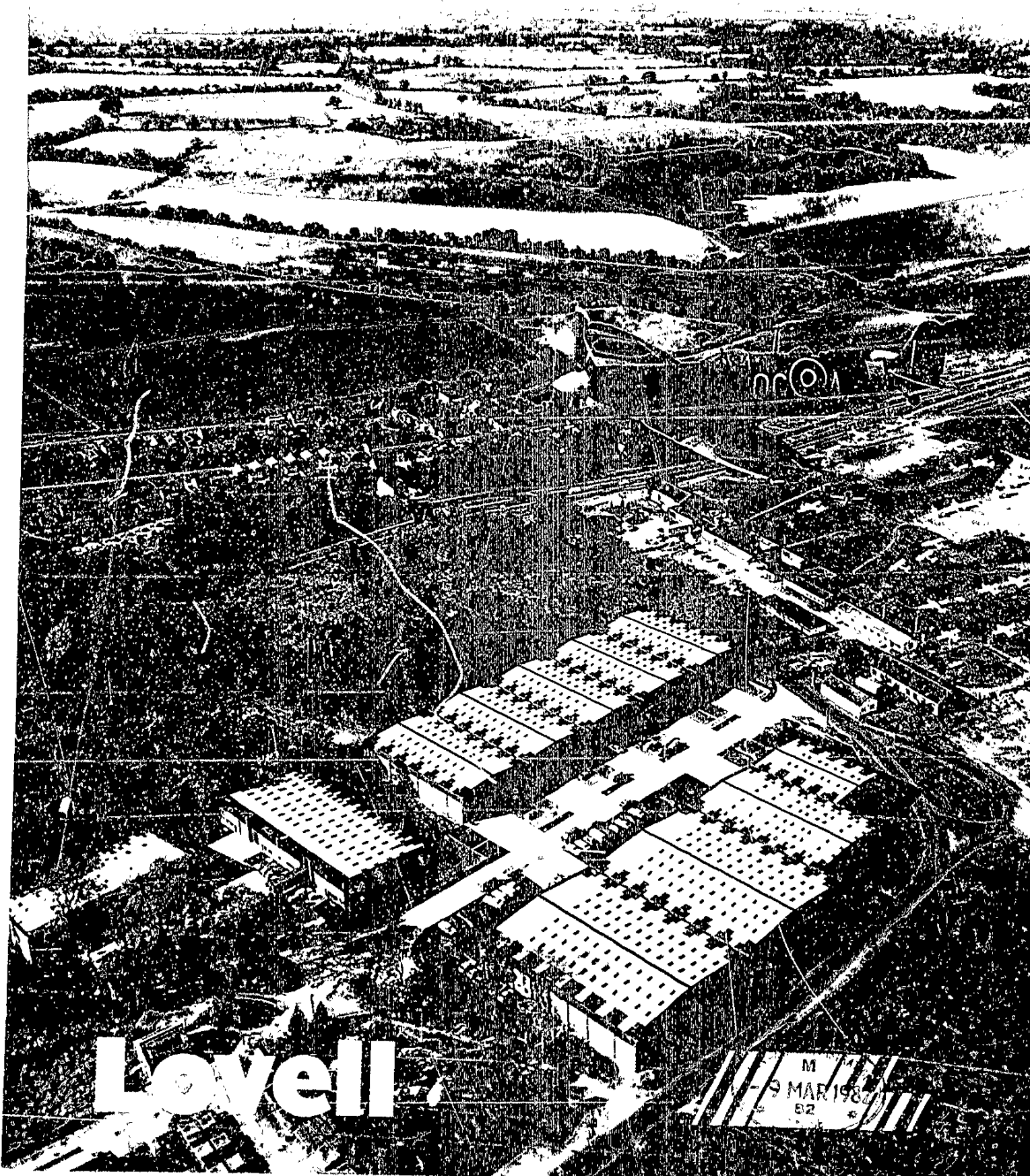


Y J Lovell (Holdings) Ltd Annual Report & Accounts 1980

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FRONT COVER

Biggin Hill, famous as a Battle of Britain fighter station, is now one of the busiest private airfields in Europe. Lovell Developments, in partnership with Dimsdale Developments (South East) Ltd and the London Borough of Bromley, has been responsible for an industrial and warehouse complex on the airfield's perimeter. Built by Lovell Southern, the scheme provides over 11,000m² leased accommodation in 18 units on a 5.5 acre site.

Architects: Kirby, Nash, Adair & Partners; *Consulting Engineers:* Powell, Tolner & Associates; *Quantity Surveyors:*



The board of Y J Lovell (Holdings) Ltd: left to right are Secretary, H W Hicks, Directors, B D Whyment-Morris, G E Segrove, Sir Donald Gosling, N E Wakefield (Chief Executive), Sir Peter Trench (Chairman), J G Laing, A W Davies, P H P Lovell, and I D McIntyre.

With the continued expansion of Lovell Midland, the year end saw a move into purpose-built offices at Aylesbury, Bucks. Built as a joint development by Shellwin Ltd and Lovell Developments, the four-storey block occupies a prime position near the town centre.

Architects: Hubbard Ford & Partners;
Engineers: Lovell Construction Services;
Quantity Surveyors: Martin Godfrey Associates.



Officially opened at the end of the financial year by Adam Thomson, CBE, Chairman of British Caledonian Airways, the Clare Park Clinic near Farnham, Surrey was developed at a cost in excess of £1 million by a consortium of Seltahart Ltd, Lovell Developments and a group of medical consultants. Built by Lovell Southern, it provides thirty-two single bedrooms, x-ray and pathology units, two operating theatres and consulting rooms.

Architects: Stone Toms & Partners;
Structural Engineers: Lovell Construction Services; *M F E Services Consultants:* Tucker Associates. *Quantity Surveyors:* K F Baker & Associates.

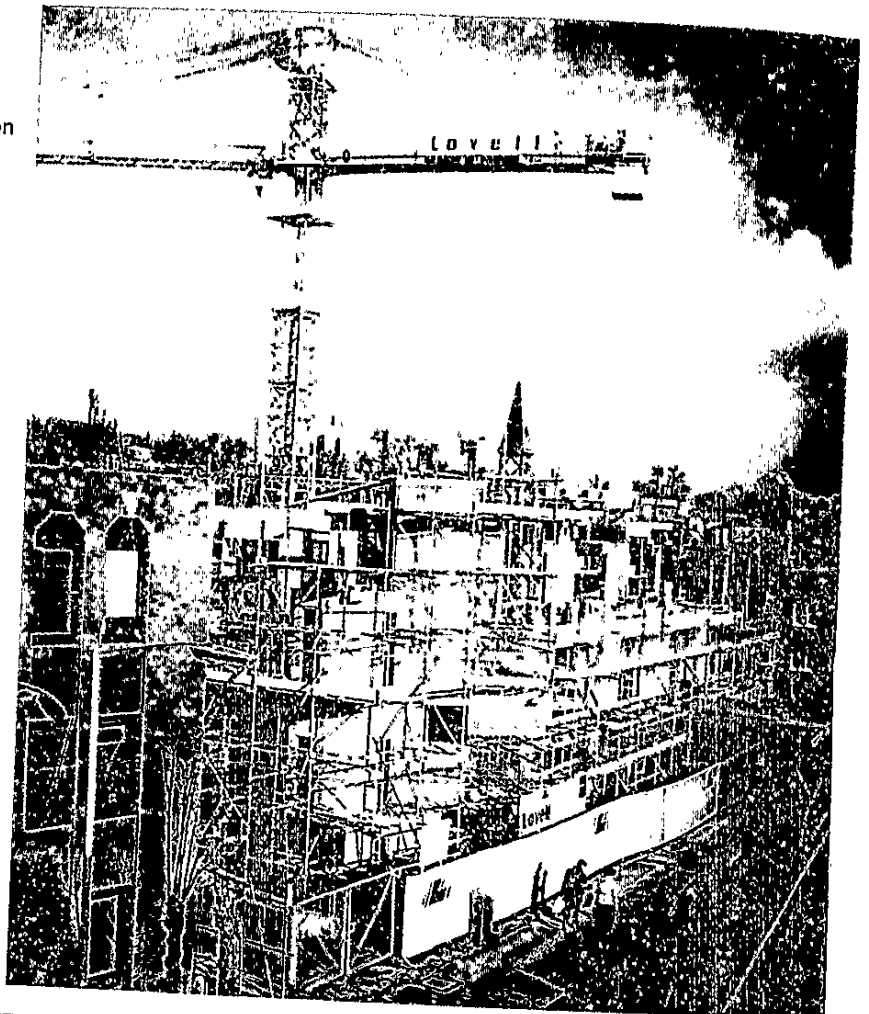


This prestige office block (right), being built in Windsor, will provide some 1100 m² of office accommodation and four luxury flats.

Architects: Huchison Locke & Monk;
Consulting Engineers: Lovell Construction Services;
Quantity Surveyors: Bellinger Copcutt Griffiths & Partners.

Seen under construction (below), this £3 million contract being carried out by Lovell Southern for Key Markets at Locksbottom, Kent, will provide a 3500 m² superstore, an office block and a new petrol filling station together with extensive car parking.

Architects: Essex Goodman & Suggitt;
Structural Engineers: Ernest Green & Partners;
Quantity Surveyors: Shepherd & Furlong.

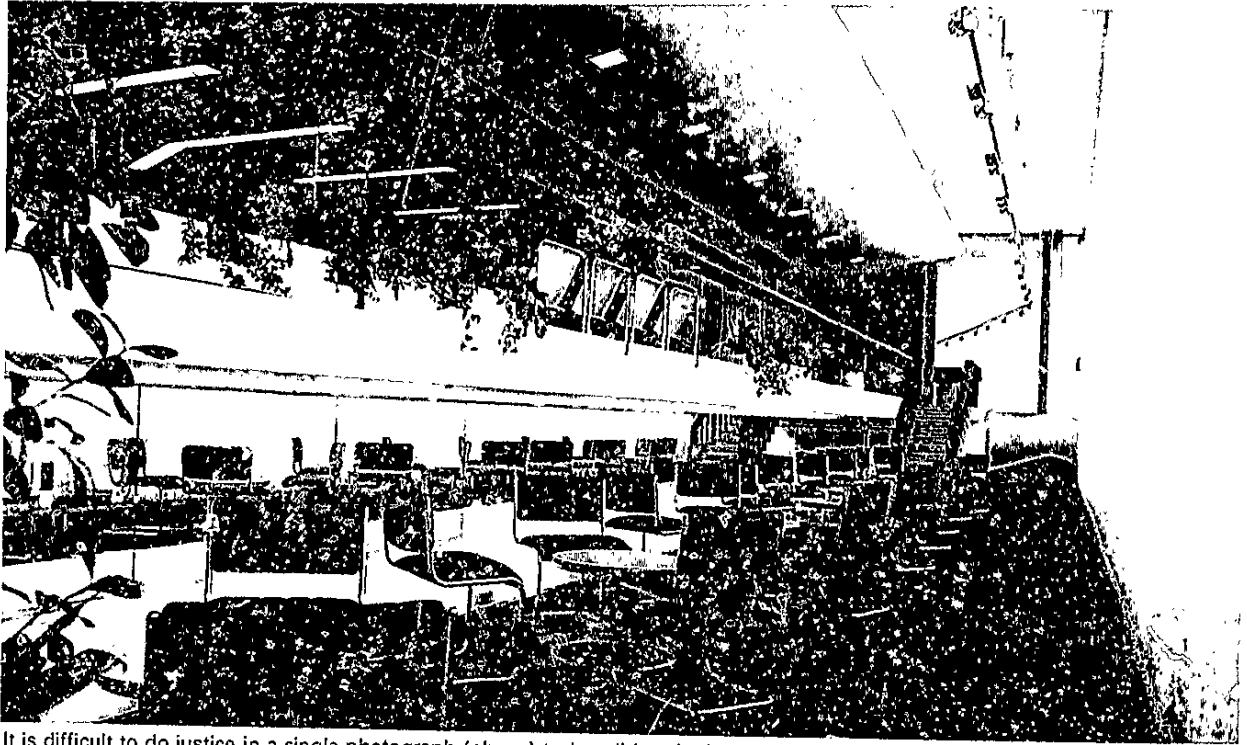




These modern offices at the headquarters and main depot of Lovell Plant Hire at High Wycombe form the centre of an extensive operation which comprises some 20 depots spread from Plymouth in the south west to Manchester in the north and Eastbourne in the south east.

Walter Lilly & Co. is nearing completion of the refurbishment of Clive of India's former residence at 45 Berkeley Square and the building of a linked four-storey block at the rear. With work being carried out under a Lovell Management Fee Contract for the joint developers University Superannuation Scheme Ltd and Lovell Developments, the premises will provide 1500 m² prestige office accommodation. *Architects:* Hamilton Associates; *Engineers:* Lovell Construction Services; *Quantity Surveyors:* Gardner & Theobald.



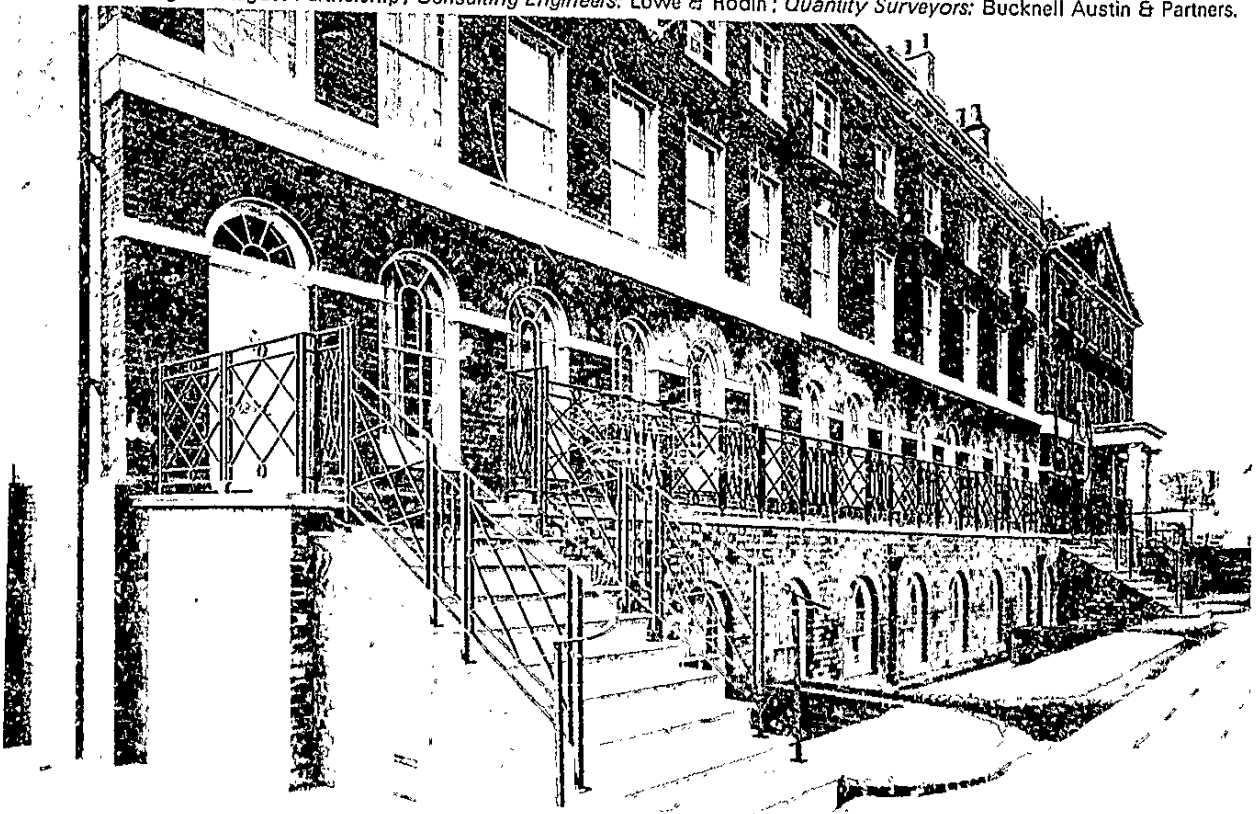


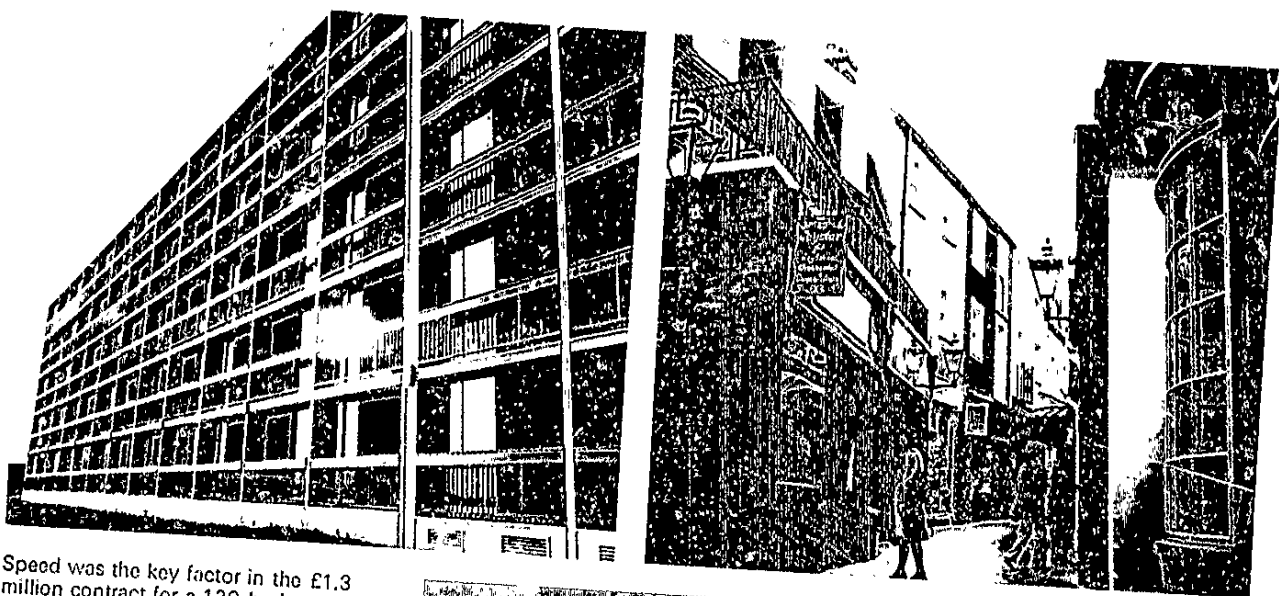
It is difficult to do justice in a single photograph (above) to Lovell London's £2.4 million alterations and fitting-out contract involving 14 floors at Centre Point, W1 to form new headquarters for the CBI.

Architects: T P Bennett & Son; *Consulting Engineers:* Pell Frischmann & Partners; *Quantity Surveyors:* Cyril Sweett & Partners.

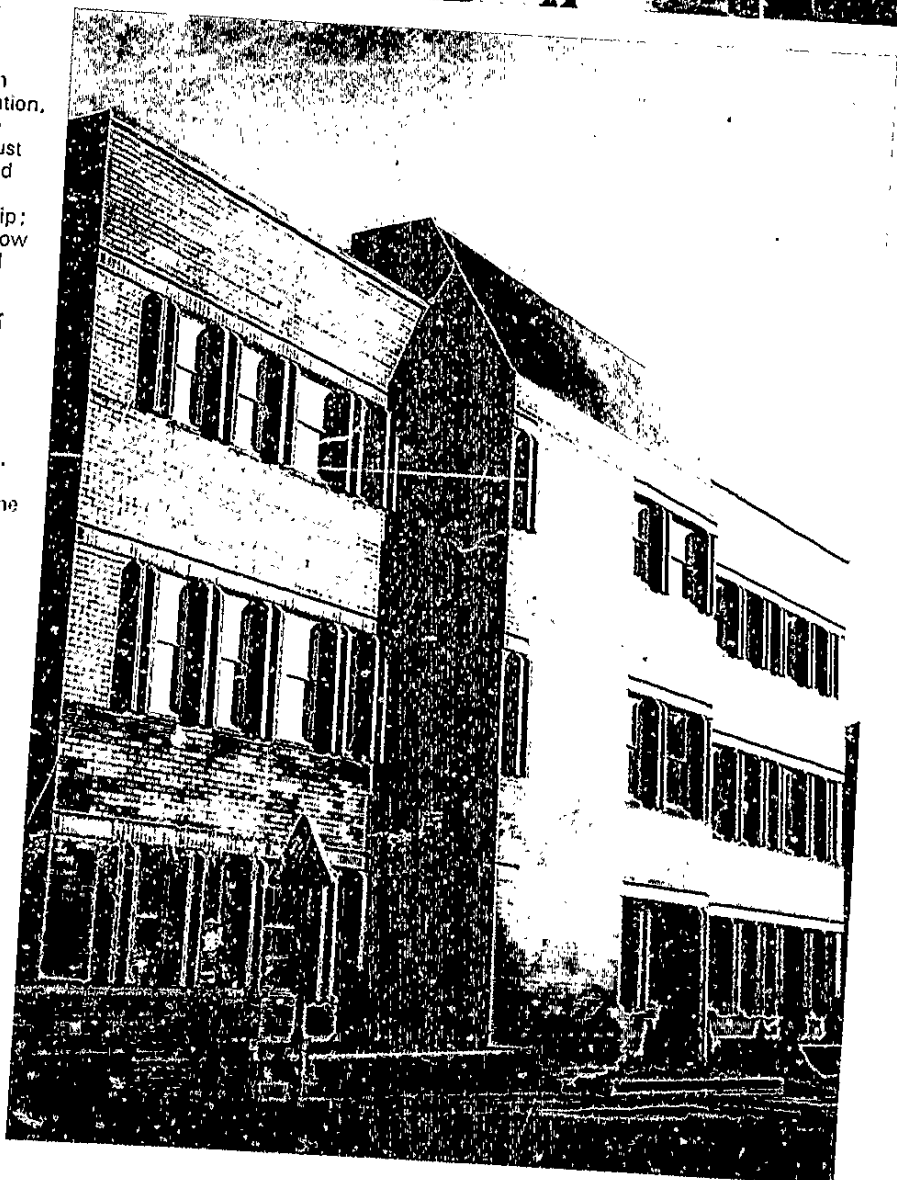
The pleasing conversion of an old terrace near the Elephant and Castle, involving the addition of a mansard-roofed fourth storey, extension to the basements and the erection of a new linked four-storey annexe, provided a welcome new headquarters for the Labour Party. The contract was carried out by Lovell London.

Architects: Hough & August Partnership; *Consulting Engineers:* Lowe & Rodin; *Quantity Surveyors:* Bucknell Austin & Partners.



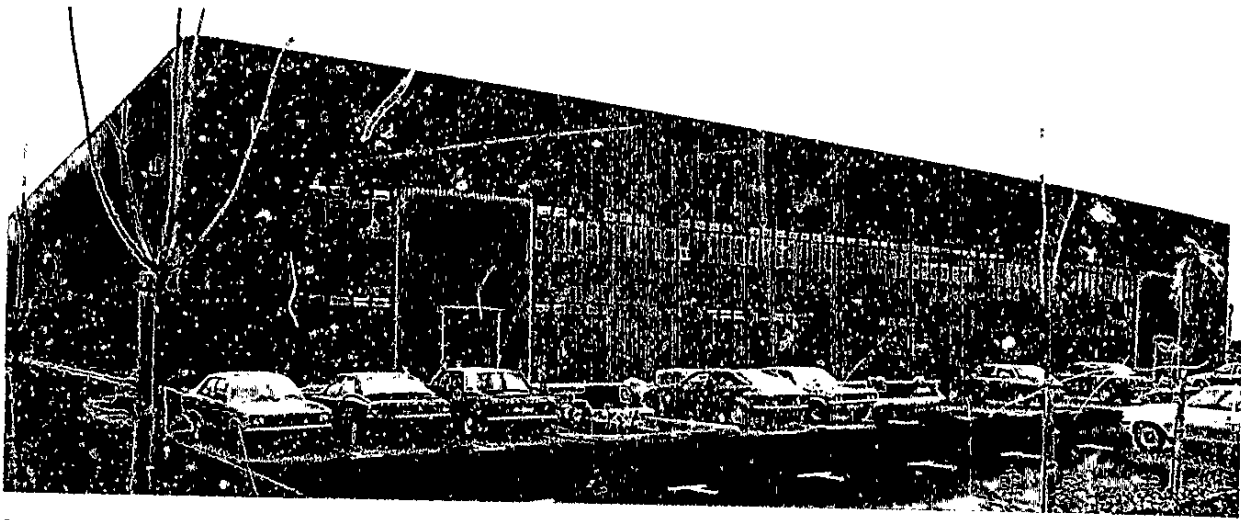


Speed was the key factor in the £1.3 million contract for a 120-bedroom extension to the Holiday Inn Hotel, Heathrow carried out by Farrow. With the rest of the hotel in normal occupation, the five-storey superstructure (above) had a floor-to-floor erection time of just eight days! The project was completed ahead of a tight programme.
Architects: Francis J Mason Partnership; *Consulting Engineers:* Sir Frederick Snow & Partners; *Quantity Surveyors:* Lionel Gregory & Partners.



Dukes Lane, Brighton was the result of a £1 million contract carried out by Lovell Southern for Grosvenor Estate Commercial Developments. Adjoining Brighton's famous narrow 'Lanes' this wholly sympathetic redevelopment provides shops, maisonettes and offices.
Architects: Stone Toms & Partners; *Consulting Engineers:* Mitchell McFarlane & Partners; *Mechanical and Electrical Engineers:* H Young & Associates; *Quantity Surveyors:* Gleeds.

Lovell Midland were the contractors for this office block at Maidenhead (right), built for the Scottish Mutual Assurance Society.
Architects: John Gill Associates; *Engineers:* Foxell Talner & Associates; *Quantity Surveyors:* Gleeds.

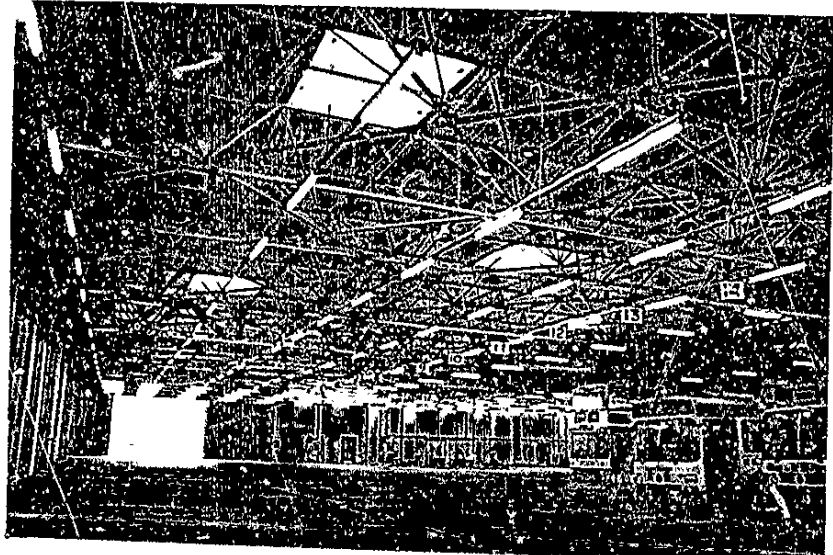


The latest completed project (above), for Watkinson Development Corporation, shows the total industrial area built by Farrow Southern in the last five years for this client to 2,500,000 sq. ft. Professional services were provided by the Corporation.

The first phase of a three-stage redeveloped area of Altonham's bus square (to the left) has been completed by Farrow Southern for the Greater Manchester Passenger Transport Executive.

Architects: Taylor, Young & Partners, *Consulting Engineers:* L. G. Mouchel & Partners (Structure); R. W. Gregory & Partners (Services); *Quantity Surveyors:* Taylor, Young & Cox.

For Farrow Property Developments, Lovell Southern constructed eight industrial and warehouse units at Chessington (Surrey) with a total area of 5200 m². *Architects:* Brun Puleaux & Associates; *Engineers:* Lovell Construction Services.



Notice of Annual General Meeting

Notice is hereby given that the twenty-first annual general meeting of the Company will be held at the Portman Hotel, Portman Square, London W.1 on Wednesday 18th March 1981 at 12.00 noon for the following purposes:—


- 1 To approve and adopt the accounts for the year ended 30th September 1980, together with the reports of the directors and auditors (resolution 1).
- 2 To declare a final dividend of 5.0p per share on the Ordinary shares payable on 1st April 1981 (resolution 2).
- 3 To re-elect the following directors who retire in accordance with the Company's Articles of Association:
J G Laing (resolution 3a)
I D McIntyre (resolution 3b)
- 4 To appoint Messrs Ernst & Whinney 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

10th February 1981



Notes

- 1 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.
- 2 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 11.45 a.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.

Chairman's Statement

The Government's economic strategy never could have been of benefit to the Construction Industry in the short term and it was inevitable that cuts in public sector expenditure would fall on capital rather than revenue. Our planning for the financial year 1979/80 was based on that assumption. Few of us predicted however, that high interest rates would persist as long as they did, that the down-turn in investment in the private sector would be so precipitate or that the cuts in public sector capital expenditure, particularly housing, would be as dramatic as they turned out to be. Nevertheless the momentum of construction at the beginning of the year, already decelerating, was sufficient to allow the more aware firms to take some avoiding action. The second half for the Lovell Group was not as profitable as we would have hoped, due to losses completing public sector housing contracts. Helped by the greater emphasis we have been placing on industrial and commercial development on our own account, it was sufficiently rewarding, however, to produce once again an increase in pre-tax profit for the year as a whole. The very substantial increase in net assets per ordinary share during the year from 250.1p to 367.1p per share is evidence of the success of this policy.

Our construction companies did well in the circumstances. Despite the reduction in the national building programme, enquiries continued to be received at a surprisingly high volume. Not unnaturally we believe that our reputation has stood us in good stead at a time when many have found work difficult to come by. But competition has been fierce. However, at a time when logic, or false logic, depending on your viewpoint, dictates that building owners will take advantage of the situation by putting an increasing number of contractors into competition, the proportion of our work carried out on a negotiated basis has increased. This is a most healthy omen for the Group.

Housing of course has been one of the Industry's, and for that matter the Government's, disaster areas. Without delving into national needs numerically, suffice it to say that any hope that in the shorter term the drastic cut-back in housing starts in the public sector would be made good in the private sector subsided as the year progressed. The year started with a lack of building society funds and mortgage queues. It finished with funds but few queues. But the other necessary ingredient for a good housing market had disappeared, i.e. confidence. This does not mean that our house-building companies catering for the private sector had a bad year - they did not. But their expectations and targets set at the beginning of the year were not achieved despite the most strenuous marketing efforts. It did mean, however, that we took the decision to wind down our one company specialising in timber-framed housing in the public sector. We still have confidence in the future of timber-framed housing, but have decided that all our companies should have access to that market, with a nucleus of technical design experience held centrally.

The collapse of the housing market had its repercussions on our timber companies, who like others in that industry have been finding the going hard. Timber importing has always required a philosophy of patience, and it is always easy to remember the famine and forget the feast. The Davies Group has served us well in the past and will doubtless serve us well in the future. Like in so many commercial fields the key to success in the timber world is good management and good financial backing. We have both.

Chairman's Statement
continued

We have continued to maintain a positive attitude towards our most important resource, that of people, and our personnel and training, management development and safety standards have not been allowed to drop during the year. I say this because at times of fierce competition and pressure on margins, there is a great temptation to allow relaxation in these fields. During the year, we had 205 apprentices and 92 trainees under training, and 265 staff attended internal and external courses. We again held our annual conference for directors as well as other in-house management conferences for site and headquarters personnel. We have always believed in the necessity of developing our future managers from within wherever possible, and the results of this policy are now becoming apparent with a strong senior executive potential available for future succession.

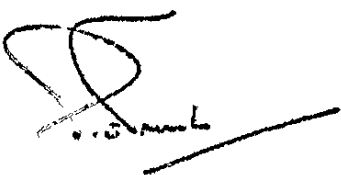
In the field of safety, we have maintained a high level of awareness and this is reflected in the accident figures, which were 19.2% compared with the national incidence rate of 33.4%. We had over 200 staff and operatives attending safety training courses but the key to our overall improvement was the increasingly keen attitude of all levels of management towards accident prevention.

I would like to thank all our employees for their efforts, as it is very evident to me that the determination, initiative and enthusiasm they are showing is having a major effect in the Company maintaining its position during the present recession.

Arthur Davies and Peter Lovell will be retiring at the Annual General Meeting after 48 years and 46 years respectively. From 1968 to 1977 they were joint Managing Directors. Their contribution to the growth and prosperity of the Group over such a long period has been immeasurable. They have been splendid colleagues at the Board table and I know that I am speaking for their many friends when I express the hope that they will both enjoy a long and happy retirement.

I must report with regret the death of our President, Ernest Burrows, on May 23rd, 1980. He was for so many years the man who led and guided the Company through difficult times. All that we have achieved since has been built upon the foundations that he laid. He will be remembered by all those in Lovell who knew him - and many who had only heard of him - as indeed a man amongst men.

It is not easy to predict the outcome for 1981. Perhaps in Lovell we have a spirit of optimism not to be found in many construction companies at the moment. Indeed at our senior management conference at the end of the year the slogan was "We are opting out of the recession", - a bold one, but I think it is well founded, certainly at the moment. We are already well into the financial year and so far we are holding the position reached last year. In construction we have our fair share of work; our development programme is healthy even if the plant hire and timber operations remain depressed. I am not predicting records, neither am I predicting an unsatisfactory year for our shareholders. Of one thing I am confident: our management team, to whom I offer sincere thanks for their efforts last year, is as strong as it has ever been, their morale is high and they will continue to give of their best in 1981.



PETER TRENCH

Directors' Report

The directors submit the Balance Sheet of the Company and the Consolidated Balance Sheet at 30th September 1980 and the Consolidated Profit and Loss Account for the year ended on that date, together with supporting notes and schedules.

Trading results

The consolidated profit for the year ended 30th September 1980 before taxation amounted to £2,876,000 as follows:—

	1980 £000	1979 £000
Construction and related activities	2,664	2,489
Timber importing and merchanting	237	350
Losses of associated companies	(25)	(224)
	<u>2,876</u>	<u>2,615</u>

The turnover of the Group, none of which related to exports (1979 £201,000), was as follows:—

	1980 £000		1979 £000	
Construction and related activities	133,322	90%	100,191	89%
Timber importing and merchanting	14,107	10%	12,471	11%
	<u>147,429</u>	<u>100%</u>	<u>112,662</u>	<u>100%</u>
Less: Inter-company sales	8,459		7,654	
	<u>138,970</u>		<u>105,008</u>	

Appropriations

The consolidated profit for the year after taxation and extraordinary items was £2,675,000 (1979 £2,235,000). Preference dividends for the year have been paid. An interim net dividend of 2.0p per Ordinary share (1979 1.5p) was paid on 1st October 1980 and the directors recommend a final net dividend of 5.0p per share (1979 4.25p). The amount of the total dividends on Ordinary shares is £481,000 (1979 £395,000). Subject to the necessary approval of the members being given at the Annual General Meeting to be held on 18th March 1981, the final dividend on Ordinary shares will be paid on 1st April 1981 to members on the register on 13th February 1981.

Activities

Construction
Turnover £94.9m (£71.7m)

The Construction Division as a whole continued its growth and maintained its position as a significant profit contributor to the Group, despite unprofitable and daunting national economic events during the year.

Directors' Report continued

Most of the building companies that make up the Division — Lovell, Farrow, Walter Lilly, Rendell — reached their profit targets and in some cases exceeded them. The geographical spread and the reputation of the companies, particularly on the larger contracts, was further increased during the year.

The Farrow companies, now fully integrated within the Division but operating within a mode of activity complementary to the Lovell companies, had a satisfactory year and continue to reaffirm our confidence in their acquisition.

Profits from the Division would have been higher had not further setbacks been experienced by Lovell Housing, a company which specialised in public sector, timber-framed housing. Further diminution of this market and increased losses on the current and recently completed contracts have led to the winding down of this company and the channelling of the expertise built up over the years into more productive and profitable areas of endeavour.

Other than this disappointing event, the wide scope of the Division's activities has once again shown that progress can be made even in difficult times. Whilst the organisation of the building companies is kept constantly under review, events have again confirmed that the basic philosophy of keeping our management close to the work-face enables us to respond more quickly and effectively to available opportunities than can be achieved by a more centralised company structure.

This year has been marked by the satisfactory completion of many important and varied projects, both large and small. Indicative of these are a seven-storey office building on the site of the old Fulham Potteries for Capital and Counties Property Co. Ltd; a £4 million residential scheme at Delhi/Outram Streets, N.1, for the London Borough of Islington; a bus garage at Altrincham for Greater Manchester Passenger Transport Executive; 16 warehouse and industrial units at Biggin Hill Airport for the Biggin Hill Development Partnership and a £3 million contract for converting an existing building into a computer centre at Portsmouth for the Post Office. Some of these are illustrated in this Report.

It is interesting to note that the Division's market share increased in a year when the construction market as a whole suffered unprecedented contraction in real terms. This achievement is due in no small measure to increased marketing effort, particularly within the operating companies, which is designed to capitalise more effectively on the Group's reputation for performance amongst clients and consultants.

Additionally, the specialist sections referred to last year — Management Fee, Design and Construct, as well as our own property development activities — have all combined to provide a significant volume of work to the construction companies during the year.

The Division moves into 1981 mindful of the fact that it will be another anxious year with further pressures ahead. However, new and more effective cost control systems have been established, the public sector housing contracts are largely worked out, and the substantial intake of private sector work, albeit at extremely competitive prices, does reduce the downside risks of unexpected losses in the course of the year.

The Division has a record forward order book for 1981 and whilst it would seem unlikely with current pressures on profit margins that there will be any significant increase in the contribution from the Division this year, equally the building companies, taking everything into consideration, have tempered confidence about the outcome.

Selection of contracts placed within the Lovell Group :

	Value £000
3-storey office block, Colliers Wood, for National Car Parks Ltd.	1,334
Upgrading of 55 Park Lane for Western Heritable Ltd.	1,750
Office development, Northumberland House, Hounslow for Country & District Properties (Western) Ltd.	3,675
Industrial development, Greenford, for Percy Bilton Ltd.	2,191
Supermarket, flats and community centre at Loughborough, for Key Markets Ltd.	3,325
2 blocks of offices at Milton Keynes for National Car Parks Ltd.	2,432
Phase 1 development, Orpington Hospital, Kent for South East Thames Regional Hospital Authority	6,470
7-storey office building, Holborn for The Prudential Assurance Co. Ltd.	7,596
176 dwellings at Bewbush, Crawley for The Borough Council	3,098
New training area and offices, Crawley for Slough Estates Design & Construction Ltd.	1,834
Superstore, offices and petrol service station at Locksbottom for Key Markets Ltd.	2,990
Two 2-storey accommodation blocks at H.M. Prison, Erlestoke for the Home Office	1,324
99 sponsored housing units and associated works at Coldash with Newbury District Council	1,956
Supermarket and offices at Stanmore for Capital and Counties Property Co. Ltd.	1,439
Industrial development at Dagenham for Reinacre Ltd. (Joint development: Lovell Developments Ltd. and Grosvenor Square Properties Ltd.)	2,000
Offices and laboratories, Crawley for Upjohn Ltd.	2,987
Operational control centre, Blackburn for The British Gas Corporation	2,121
Management Fee contract for the construction of a 7-storey office block, 9/12 King Street and 24/25 Ironmonger Lane, EC2 for The Guardian Royal Exchange Assurance	2,200
Measured Term contract for United States Air Force, High Wycombe District	750
4-storey office building, Kingston-upon-Thames for ITC Pension Trust Ltd. and ITC Pension Investments Ltd.	1,314
Extensions to The Cumberland Garage, London W1 for National Car Parks Ltd.	1,500

Directors' Report continued

Developments
Turnover £26.2m (£17.9m)

RESIDENTIAL

The companies engaged in housing for sale – Lovell Homes and Rendell of Devizes – experienced mixed fortunes during the course of the year but finished in strong form. Whilst sales were down on target, there was nevertheless a significant increase in sales value compared with the previous year.

Profit margins on private residential development came under considerable pressure although "sponsored housing" – the financing and selling of houses on publicly owned land to those on local authority lists – where Rendell occupies a special niche in the market continues to expand in both profit and prospects.

An important milestone in the progress and growth of our activities in this specialised field was the opening in Oxford of Rendell's 1000th sponsored house. To mark the occasion Mr. Leonard Williams, the Chief General Manager of Nationwide Building Society and Chairman of the Building Societies Association, whilst performing this ceremony, made a presentation to the purchasers.

During the year, Lovell Homes completed a number of sites – notably Hill Farm, Hazlemere, where 1,070 houses have been built and sold over the last seventeen years. Typical of the Company's concern over environmental and community aspects of these large scale developments, the completion was recognised by a further financial contribution to the active community and recreational centre which has been developed on the site over recent years and represents a focal point for the life of the community on this large and very successful development.

Other sites, ranging from Woolacombe in Devon to Bourton-on-the-Water in the Cotswolds, and to Solihull in the Midlands, have also been completed in the year.

Increasing attention is being given to the application of the advanced features of North American housing both from amenity and energy conservation points of view. Indicative of the Division's efforts and progress is the development of the 'Heat Hugger' homes at Bromham which incorporate many of the features that we, and our clients, will regard as desirable, indeed necessary, in the '80s. Further research and development in this respect will ensure that our products will not only maintain their reputation for being well built but will be comfortable and convenient to live in and represent an attractive investment to the increasing numbers of people who choose a Lovell home.

After a year when building costs have increased at a faster rate than selling values, and when housing starts in the country are at a post-war low, it may seem inappropriate to talk of the future in confident terms. However, a belief in the movement towards a property-owning society and the willingness and wherewithal of the public to buy our products remain amongst the cornerstones of the Group's policy for growth. Future plans are thus based on a confident assessment of this general picture.

Careful investment in well-located land has continued and a land stock which overall represents well in excess of three years' housing production for the Division, must stand us in good stead as the market recovers.

The Division's regional structure developed during the year and has demonstrated, as in the Construction Division, the underlying benefits of giving local management freedom to act within the framework of clear, qualitative financial targets and constraints.

Undoubtedly, the early part of 1981 will see the continuation of external pressures greater than usual but competence and confidence exist within the management teams of both Lovell Homes and Rendell and these will ensure an increasingly important role for sale housing within the Group's activities.

INDUSTRIAL AND COMMERCIAL

The real effect and benefit of increasing investment of effort and money on the Group's property portfolio is reflected in the value shown by the professional revaluation at the end of the year. Equally important is the substantial uplift in rental income from these properties which (as further properties are completed and others receive the benefit of regular rent reviews) now makes an important contribution to the Group's revenue.

The most significant letting in the year was the leasing of Farrow House, a modern office building of 55,000 sq. ft. located at Colindale, NW9, to the Metropolitan Police.

Despite very competitive conditions, the Lovell development companies, Lovell Developments and Farrow Property Developments, have, either exclusively or jointly with partners, succeeded in expanding the development and sale of commercial and industrial projects to institutions during the year and increased the Division's profit contribution in the process.

Over 400,000 sq. ft. of industrial space has been completed or has been started in the year. In addition to the sites referred to in last year's Report, projects at Dagenham, Chiswick, Hendon and Harlow have been added to work in the pipeline. Planning approval has been secured for a site at East Grinstead and a total package is being negotiated with a major super-market group on a forward sale basis.

The office development at Aylesbury has been completed and is now partly occupied by Lovell Midland. Negotiations are at an advanced stage for the letting of the Windsor office building and our Berkeley Square project has been completed and is now being marketed. Additionally, sites with planning approval for offices have been purchased or optioned for future development.

An interesting new development for the Group is under way on the Church Commissioners' Hyde Park Estate, where very high quality flats will be ready for sale during the summer of 1981.

Clare Park Clinic, the first private hospital in which the Group has an equity interest, was successfully completed by Lovell Southern on time and opened in October 1980. All the signs are that the project will be an outstanding success from every point of view, particularly as an investment for the Group. A second project in Solihull (again in partnership with Selthart Ltd.), in which the Group will have a 60% interest, starts construction early in 1981 and a third opportunity is under active consideration.

Directors' Report continued

Plant Hire

Turnover £12.2m (£10.6m)

Trading conditions deteriorated rapidly in the second half of the year after a strong start.

Whilst the Plant Division has succeeded in achieving an increase in income both externally and from intra-Group trading, intensive competition resulted in a significant reduction in profit for the year. Largely due to the resilience of the organisation, however, as well as the high quality and condition of plant and service provided and effective management reaction to external factors, a profit has been achieved, albeit considerably below expectations. Although it would be unrealistic to believe that material improvement can be attained before a general pick-up in the level of construction activity is experienced, the Plant Division is ready to take immediate advantage of any improvement in market conditions.

The Group maintains its long term confidence in Lovell Plant Hire and its future position within the Group. This confidence has been demonstrated by further investment through the purchase of a small plant company in Cheltenham to extend our market penetration in that area, the leasing of a plant depot site at Ware to replace Hendon, and the construction of a depot at Uckfield to release the site at East Grinstead for development.

Additionally, the Plant Division acquired the exclusive rights to Meirform, a patented scaffold system, and is now undertaking the manufacture, sale and hire of this equipment. We have also opened during the year three more DIY Tool Shops at our existing plant depot locations at New Malden, Taunton and Bicester.

Timber

Turnover £14.1m (£12.5m)

The Timber Division, as with Lovell Plant Hire, started the year reasonably well but trading conditions deteriorated rapidly in the second half.

Within the UK there was a fall in softwood consumption which accelerated rapidly in the latter months of the year and averaged 7%. The rise in world timber prices and UK importers competing fiercely with each other for the reduced volume of business available, present a depressing scenario against which to judge the Timber Division's performance. Intense management effort throughout the timber companies and continuing improvement in operating efficiency meant that they did relatively better than many of their competitors.

The timber component manufacturing company at Crendon in particular did well to return to profit in circumstances much less favourable than anticipated. Diversification into private sector timber-framed housing has shown fairly rapid results and holds out prospects for growth in 1981. Recent involvement in the marketing and manufacturing of garden sheds and fencing has been initiated to test possible future market directions and spread.

The DIY, builders merchants and timber retailing activities in East Anglia based on Frank Aldridge (Norfolk) have had a difficult year. The expectation that these operations would move out of loss in the year has not been realised. A review of present operations and future prospects is, therefore, taking place with the intention of rectifying this position in the current year.

Although events in the past year and probably in most of the present one are unlikely to favour the return to high profits, the Group anticipates some recovery in due course, and continues to value the Division, its management and resources as an important element of the Group's total capability.

Overseas

HEERY ASSOCIATES (UK) LTD. (formerly Heery-Farrow Limited)

The Lovell Group and Heery International Inc. mutually and amicably decided during the course of the year that their respective interests were best served by disengagement from this joint venture. Heery has subsequently purchased our interest in the Company, which was acquired originally as part of the Farrow Group, and is now operating independently.

Participation in this effective and innovative professional service has been beneficial to a number of Lovell employees and close liaison, as well as secondment of people, will therefore continue for the time being.

LOVELL/IMG HOLDINGS INC. (USA)

There is much solid achievement and progress to report in Lovell/IMG affairs, although the unexpectedly high interest rates which prevailed throughout the year eroded the anticipated small trading profit into a minor loss.

The recession bit deeply in the US development market, but the location of the Lovell/IMG developments and the quality of the products and services gave considerable protection from the worst effects. Most projects maintained schedule and sales pace throughout the year.

The schemes completed range from land development on various sites through the Garden Apartments at Richmond reported last year and now fully leased, to the construction and opening of the 56,000 square feet Village Shopping Center also at Richmond where the major stores are already in operation. Lovell/IMG will retain a reversionary interest in the equity of the Garden Apartment project and negotiations are well advanced for the Group to purchase IMG's interest in the Shopping Center. Thus, the Group will fully own a property which has considerable potential for capital growth as rental income increases.

Further land development projects are underway in Frederick, Maryland and Marietta Woods near Washington DC. Luxury town houses in Baltimore are nearing completion and a follow-on scheme is under negotiation. Amongst other activities, a six-storey, 100 unit old people's building is under construction in Virginia by BritAm Construction, a subsidiary of Lovell/IMG. The high cost of money in the USA has caused short-term setbacks in our trading profit expectations but the strategic validity of Lovell/IMG remains as

Directors' Report
continued

strong as ever. The USA is the largest and still the most vigorous overseas market in the world for our resources. Fewer entry problems in language, cultural and legal terms exist there than anywhere else. These factors, in addition to the relative economic stability, give support to the Group's view that its prospects for future growth in the USA remain bright.

LOVELL STEWART (NIGERIA) LTD.

Completion of all current contracts and very little change in trading conditions have resulted in the progressive run-down of our involvement in Nigeria in accordance with the position anticipated in last year's Report.

The financial affairs of that company (in which Lovell holds a 20% interest) are very unsatisfactory but the provision made last year to cover the costs of our disengagement would appear to remain adequate.

Directors

The names of the directors of the Company at the date of this report are set out on page 8.

Mr J G Laing and Mr I D McIntyre retire by rotation 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	
	31.1.81	30.9.80	30.9.79
Sir Peter Trench	34,764	34,764	34,764
Norman E Wakefield	53,000	45,000	45,000
A W Davies	185,552	185,552	185,552
Sir Donald Gosling	1,962,260	1,962,260	1,962,260
J G Laing	14,000	10,000	10,000
P H P Lovell	115,530	131,530	132,530
I D McIntyre	11,923	23,923	23,923
Geoffrey Segrove	90,000	95,000	106,736
B D Whyment-Morris	4,200	4,200	4,200
		7% Cumulative Preference shares of £1	
	31.1.81	30.9.80	30.9.79
P H P Lovell	2,015	2,015	2,015
Geoffrey Segrove	308	308	308

The interests of Sir Donald Gosling were as follows:—

	31.1.81	Ordinary shares of 25p 30.9.80	30.9.79
In own and wife's name	82,824	82,824	82,824
Joint ownership with R F Hobson	1,740,613	1,740,613	1,740,613
Non-beneficial	138,823	138,823	138,823
	<u>1,962,260</u>	<u>1,962,260</u>	<u>1,962,260</u>

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 1981 (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 and 405,000 shares in the name of Merchant Navy Officers Pension Fund Trustees Ltd.

Directors' interests in contracts

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

- | | |
|---|------------|
| a) Value of contracts which subsisted at 30th September 1979 | £60,000 |
| b) Value of contracts entered into this year | £5,737,000 |
| c) Value of contracts subsisting at 30th September 1980 | £3,050,000 |
| d) Total turnover in respect of all contracts which subsisted during the year | £3,334,000 |

Contracts amounting to £45,000 for the purchase of a freehold property from A W Davies were entered into during the year in the normal course of business.

Fixed assets

Details of the fixed assets are given in note 14 to the accounts.

The majority of the properties is held for investment. As they are all maintained to a high standard, depreciation is neither material nor necessary, and none is provided.

Employees

During the year ended 30th September 1980 the weekly average number of direct employees in the Group was 3,329 (1979 3,492); their aggregate remuneration amounted to £18,536,684 (1979 £15,122,514).

Donations

Charitable donations amounting to £9,376 (1979 £7,571) were made during the year.

Directors' Report
continued

Auditors

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


Current cost accounting

This annual report includes on pages 33-35 a current cost statement in accordance with SSAP 16.

By Order of the Board

H W Hicks
Secretary

10th February 1981

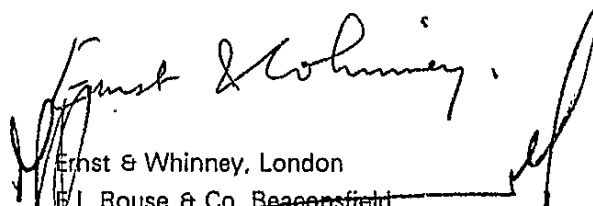


Report of the Auditors
to the members

We have examined the accounts of Y J Lovell (Holdings) Limited set out on pages 22-32. These have been prepared under the historical cost convention and include the revaluation of properties. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group, so far as concerns members of the company, at 30th September 1980 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1980.

In our opinion the current cost accounts set out on pages 33-35 have been properly prepared, in accordance with the policies and methods described in notes 1-6, to give the information required by Statement of Standard Accounting Practice No 16.


Ernst & Whinney, London
F L Rouse & Co. Beaconsfield
Chartered Accountants
22nd January 1981

Consolidated Profit and Loss Account for the year ended 30th September 1980

	notes	1980 £000	1979 £000
Turnover		138,970	105,008
Trading profit	2	2,901	2,839
Share of losses of associated companies		25	224
Profit before taxation		2,876	2,615
Taxation	4	201	50
Profit before extraordinary items		2,675	2,565
Extraordinary items	5	—	330
Profit attributable to the shareholders		2,675	2,235
Dividends for the year			
On Preference shares		14	14
On Ordinary shares			
— Interim		137	103
— Final (proposed)		344	292
		495	409
Profits retained		2,180	1,826
By: the company		1,327	601
subsidiary companies		867	1,205
associated companies		(14)	20

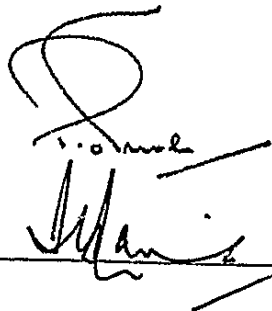
Earnings per Ordinary share

	6		
Before extraordinary items		38.7p	37.1p
After extraordinary items		38.7p	32.3p

Consolidated Balance Sheet
as at 30th September 1980

	notes	1980 £000	1979 £000
Assets employed			
Fixed assets	14	19,667	13,610
Interests in associated companies	16	890	457
		<u>20,557</u>	<u>14,067</u>
Current assets	17	43,306	37,320
		<u>63,863</u>	<u>51,387</u>
Current liabilities	18	31,131	31,031
Net assets employed		<u>32,732</u>	<u>20,356</u>
Financed by			
Issued share capital	7	1,994	1,994
Capital reserve	8	11,126	5,256
Revenue reserve	9	12,404	10,224
		<u>25,524</u>	<u>17,474</u>
Minority interests in a subsidiary company		19	19
8½% Debenture stock 1987/92	11	1,533	1,533
Deferred payments	12	1,156	1,330
Loans	13	4,500	—
		<u>32,732</u>	<u>20,356</u>

Directors
Peter Trench
J G Laing



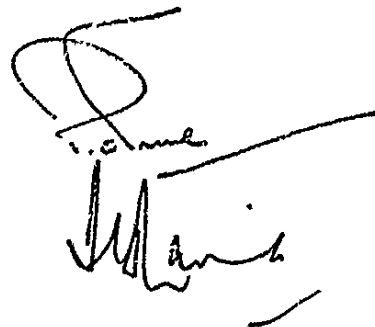
Net Assets per Ordinary share

367.1p 250.1p

Balance Sheet
as at 30th September 1980

	notes	1980 £000	1979 £000
Assets employed			
Fixed assets	14	15,160	9,378
Interests in subsidiary companies	15	9,989	5,947
Interests in associated companies	16	519	98
		<u>25,668</u>	<u>15,423</u>
Current assets	17	98	24
		<u>25,766</u>	<u>15,447</u>
Current liabilities	18	2,686	2,215
Net assets employed		<u>23,080</u>	<u>13,232</u>
Financed by			
Issued share capital	7	1,994	1,994
Capital reserve	8	9,128	4,127
Revenue reserve	9	5,575	4,248
		<u>16,697</u>	<u>10,369</u>
8½% Debenture stock 1987/92	11	1,533	1,533
Deferred payments	12	850	1,380
Loans	13	4,000	—
		<u>23,080</u>	<u>13,232</u>

Directors
Peter Trench
J G Laing



Statement of Source and Application of Funds for the year ended 30th September 1980

	1980 £000	1979 £000
Source of funds		
Profit before taxation	2,876	2,615
Depreciation	348	391
Proceeds of sale of fixed assets	223	489
Loans	4,500	—
	<u>7,947</u>	<u>3,495</u>
Deduct:		
extraordinary items	—	330
profit on sale of fixed assets	153	204
	<u>153</u>	<u>534</u>
	<u>7,794</u>	<u>2,961</u>
Discount on acquisition of Farrow Group Ltd	—	797
	<u>7,794</u>	<u>3,758</u>
Application		
Fixed asset purchases less transfers	605	5,242
Dividend payments	443	313
Taxation payments	163	187
	<u>1,211</u>	<u>5,742</u>
Deferred payments	174	(1,330)
Movement of working capital		
Work in progress, developments and stocks	4,640	11,954
Debtors including interest in associated companies	1,796	2,306
Creditors	(3,528)	(10,213)
	<u>2,908</u>	<u>4,047</u>
	<u>4,293</u>	<u>8,459</u>
Increase in net liquid funds		
Overdrafts	3,501	(4,701)
Bills payable	3,343	(4,260)
Cash and bank balances	175	(500)
	<u>(17)</u>	<u>59</u>

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 after providing for known future losses and contingencies. No account is taken of claims which have not been agreed. Progress payments received are deducted from the valuations.

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. This policy does not comply with the statement of standard accounting practice on accounting for depreciation (SSAP12), although the effect of non compliance is not material. Plant, vehicles and equipment are depreciated to estimated residual values on a straight line basis over their anticipated useful lives. These are generally as follows:—

Plant & Vehicles — three to five years
Office equipment — five to seven years

Deferred taxation: Deferred taxation is calculated at the current rate of corporation tax to take account of the tax reduction arising from timing differences. No provision is made where the reduction is expected to continue for the foreseeable future.

2 Trading profit

	1980	1979
	£000	£000
The trading profit is stated after charging:		
Depreciation	348	391
Hiring and leasing of plant and vehicles	3,100	2,689
Directors' emoluments, including pension contributions	152	141
Payment to a former director in respect of cessation of employment with a subsidiary company	—	10
Auditors' remuneration	75	76
Debenture interest payable	130	130
Interest on bank overdrafts, bills and other short-term finance	2,689	1,248
Minority interests — preference dividends of a subsidiary company	1	1
and after crediting:		
Net rents receivable (external to group)	680	494
Profit on realisation of fixed assets	153	204

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	1980	1979
Remuneration band	Number in each category	
Nil—£5,000	2	2
£5,001—£10,000	2	2
£10,001—£15,000	1	1
£15,001—£20,000	1	2
£20,001—£25,000	2	2
£25,001—£30,000	1	—
Remuneration of the Chairman	£21,550	£17,566
Remuneration of the highest paid director	£29,341	£22,179
No fees were paid		

b) Higher paid employees	1980	1979
	Number in each category	
£20,001—£25,000	3	2

4 Taxation

	1980	1979
The charge for the year represents:—	£000	£000
Adjustment in respect of previous year	—	4
Advance corporation tax	212	176
Deferred taxation adjustment in respect of previous year	—	(157)
Associated companies	(11)	27
	<u>201</u>	<u>50</u>

Because of timing differences, no corporation tax liability arises on the profit for the year. If full provision for deferred taxation had been made the charge for the year would have been increased by £1,435,000 (1979 £1,541,000).

5 Extraordinary items

Extraordinary items in 1979 comprised provision for costs and liabilities expected to arise on the reduction of the company's interest in an associated company.

6 Earnings per Ordinary share

Earnings per Ordinary share are based on the profit of the Group before and after extraordinary items £2,675,000 (1979 £2,565,000 £2,235,000) less Preference dividends paid of £14,000 (1979 £14,000) divided by the number of Ordinary shares in issue, 6,877,740.

Notes on the Accounts

continued

7 Capital

	Authorised £	Issued Fully Paid £
The share capital is as follows:—		
Redeemable Cumulative Preference shares of £1 each	250,000	250,000
Cumulative Preference shares of £1 each	25,000	25,000
Ordinary shares of 25p each	2,500,000	1,719,435
	<u>£2,775,000</u>	<u>£1,994,435</u>

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.

8 Capital reserve

	Group £000	Company £000
Balance at 1st October 1979	5,256	4,127
Property revaluation surplus (Note 14)	5,870	5,001
	<u>11,126</u>	<u>9,128</u>

The reserve includes £155,000 share premium.

9 Revenue reserve

	Group £000	Company £000
Balance at 1st October 1979	10,224	4,248
Profit for the year retained	2,180	1,327
	<u>12,404</u>	<u>5,575</u>

10 Deferred taxation

	Taxation deferred and not provided in the accounts amounts to:—			
	Group		Company	
	1980 £000	1979 £000	1980 £000	1979 £000
Stock relief	6,599	5,302	—	—
Capital allowances	373	503	—	—
Industrial buildings allowances	960	974	960	974
Property revaluation surpluses	3,180	1,656	2,553	1,115
	<u>11,112</u>	<u>8,435</u>	<u>3,513</u>	<u>2,089</u>
Less: advance corporation tax	1,007	796	934	773
	<u>10,105</u>	<u>7,639</u>	<u>2,529</u>	<u>1,316</u>

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

Deferred taxation figures have been calculated on the basis of the legal provisions in force at 30th September 1980. However, if the Government's proposals for the revision of stock relief were to be enacted in their present form, these figures would not alter.

11 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.

12 Deferred payments

	Group 1980 £000	1979 £000	Company 1980 £000	1979 £000
Acquisition of Farrow Group Limited payable October 1981	850	1,330	850	1,330
Purchase of development land payable March 1982	306	—	—	—
	<u>1,156</u>	<u>1,330</u>	<u>850</u>	<u>1,330</u>

Both these liabilities are secured; no interest is payable.

13 Loans

	Group 1980 £000	1979 £000	Company 1980 £000	1979 £000
Bank loans repayable in 2-5 years (£2,000,000 secured)	<u>4,500</u>	<u>—</u>	<u>4,000</u>	<u>—</u>

Interest is payable at varying rates related to LIBOR and Clearing Bank Base Rate

14 Fixed assets

	Freeholds £000	Long leaseholds £000	Short leaseholds £000	Plant, Vehicles, Equipment £000	Total £000
Group					
Cost or valuation 1st October 1979	11,713	937	39	2,868	15,557
Additions	677	207	138	424	1,446
Surplus on revaluation	5,769	101	—	—	5,870
Transfers	(825)	—	—	(317)	(1,142)
Disposals	—	—	—	(391)	(391)
Cost or valuation 30th September 1980	<u>17,334</u>	<u>1,245</u>	<u>177</u>	<u>2,584</u>	<u>21,340</u>
Depreciation 1st October 1979	—	—	10	1,937	1,947
Provision for the year	—	—	9	339	348
Transfers	—	—	—	(301)	(301)
Disposals	—	—	—	(321)	(321)
Depreciation 30th September 1980	<u>—</u>	<u>—</u>	<u>19</u>	<u>1,654</u>	<u>1,673</u>
Net book value 30th September 1980	<u>17,334</u>	<u>1,245</u>	<u>158</u>	<u>930</u>	<u>19,667</u>
30th September 1979	<u>11,713</u>	<u>937</u>	<u>29</u>	<u>931</u>	<u>13,610</u>

Notes on the Accounts

continued

14 Fixed assets cont.	Freeholds	Long leaseholds	Short leaseholds	Plant Vehicles, Equipment,	Total
	£000	£000	£000	£000	£000
Group—continued					
At cost less depreciation	172	—	158	930	1,260
At professional valuation :— 1980	17,162	1,245	—	—	18,407
	<u>17,334</u>	<u>1,245</u>	<u>158</u>	<u>930</u>	<u>19,667</u>
Properties held for investment	10,407	625	—		11,032
Properties occupied by the Group	6,927	620	158		7,705
	<u>17,334</u>	<u>1,245</u>	<u>158</u>		<u>18,737</u>
Company					
Cost or valuation 1st October 1979	8,396	937	39	88	9,460
Additions	597	207	138	—	942
Surplus on revaluation	4,900	101	—	—	5,001
Transfers	(150)	—	—	—	(150)
Cost or valuation 30th September 1980	<u>13,743</u>	<u>1,245</u>	<u>177</u>	<u>88</u>	<u>15,253</u>
Depreciation 1st October 1979	—	—	10	72	82
Provision for the year	—	—	9	2	11
Depreciation 30th September 1979	—	—	19	74	93
Net book value 30th September 1980	<u>13,743</u>	<u>1,245</u>	<u>158</u>	<u>14</u>	<u>15,160</u>
30th September 1979	<u>8,396</u>	<u>937</u>	<u>29</u>	<u>16</u>	<u>9,378</u>

The Group's properties were professionally valued as at 30th September 1980 on an open market basis by Hillier Parker May & Rowden of London W1 and Hamnett Raffety of High Wycombe; the properties have been valued with the benefit of vacant possession where they are in the occupation of any of the companies within the Lovell Group.

15 Interests in subsidiary companies	Details of principal subsidiary companies are noted on page 38.	
	1980	1979
	£000	£000
Shares at cost less amount written off	2,833	2,836
Amounts due from subsidiaries	9,856	3,111
	<u>12,689</u>	<u>5,947</u>
Amounts due to subsidiaries	2,700	—
	<u>9,989</u>	<u>5,947</u>

The accounts of the UK subsidiary companies are audited by F L Rouse & Co.

16 Interests in associated companies

The principal associated companies are noted on page 38.

	Group		Company	
	1980	1979	1980	1979
	£000	£000	£000	£000
At cost less amounts written off:				
Shares	262	323	71	68
Amounts due	622	113	448	30
	<u>884</u>	<u>436</u>	<u>519</u>	<u>98</u>
Add: profits retained	6	21	—	—
	<u>890</u>	<u>457</u>	<u>519</u>	<u>98</u>

The results of certain overseas companies are based on unaudited accounts at 30th September 1980. In the opinion of the directors the value of the Group's interest in associated companies approximates to the amount stated above.

17 Current assets

	Group		Company	
	1980	1979	1980	1979
	£000	£000	£000	£000
Contract work in progress and debtors	123,320	101,683	—	—
Less: Cash received on account of work in progress	111,537	90,358	—	—
	<u>11,783</u>	<u>11,325</u>	<u>—</u>	<u>—</u>
Developments and undeveloped land	17,771	14,914	—	—
Stocks	6,141	4,816	—	—
Trade debtors and debit balances	7,533	6,170	92	18
Cash at bank and in hand	78	95	6	6
	<u>43,306</u>	<u>37,320</u>	<u>98</u>	<u>24</u>

18 Current liabilities

	Group		Company	
	1980	1979	1980	1979
	£000	£000	£000	£000
Bank overdrafts	2,097	3,717	1,147	195
Bank overdrafts—secured	2,466	4,189	165	1,383
Bills payable	1,825	2,000	—	—
Creditors and accrued charges	23,274	19,793	820	173
Advance payments on account of work in progress	800	753	—	—
Current taxation	325	287	210	172
Proposed Ordinary dividend	344	292	344	292
	<u>31,131</u>	<u>31,031</u>	<u>2,686</u>	<u>2,215</u>

The Bank overdrafts and Bills are payable within one year.

Notes on the Accounts

continued

19 Capital commitments	1980 £000	1979 £000
Estimated amount of capital expenditure contracted for but not provided in the accounts	15	317
Expenditure authorised but not contracted for	232	560

20 Contingent liabilities

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

	Subsidiaries	Other
Amount of guarantees	£9,767,424	£2,884,101
Amount outstanding at 30th September 1980	£3,954,171	£1,252,159

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

Current Cost Consolidated Profit and Loss Account
for the year ended 30th September 1980

	notes	1980 £000	1979 £000
Turnover		138,970	105,008
Profit before interest and taxation as historical cost accounts		5,695	3,993
Deduct current cost adjustments			
Depreciation of plant	2	157	231
Fixed assets disposal	2	52	85
Cost of sales adjustment	3	995	1,180
Monetary working capital adjustment	3	(688)	(423)
		516	1,073
Current cost operating profit		5,179	2,920
Gearing adjustment			
Interest	4	(175)	(382)
		2,819	1,378
		2,644	996
Current cost profit before taxation		2,535	1,924
Taxation		201	50
Current cost profit before extraordinary items		2,334	1,874
Extraordinary items		—	330
Current cost profit attributable to shareholders		2,334	1,544
Dividends		495	409
Current cost profit retained		1,839	1,135
Current cost earnings per ordinary share		33.7p	27.0p

Capital and reserves

Retained current cost profit of the year	1,839	1,135
Movement on capital and current cost reserves	(172)	4,772
Discount on acquisition of Farrow Group Ltd	—	797
	1,667	6,704
At the beginning of the year	24,450	17,746
	26,117	24,450
At the end of the year		

Current Cost Consolidated Balance Sheet at 30th September 1980

	notes	1980 £000	1979 £000
<hr/>			
Assets employed			
Fixed assets	2	19,981	18,281
Interests in associated companies		890	457
Current assets	5	43,585	39,625
		<u>64,456</u>	<u>58,363</u>
<hr/>			
Current liabilities		31,131	31,031
Net assets employed		<u>33,325</u>	<u>27,332</u>
<hr/>			
Financed by			
Capital and reserves		18,622	16,783
Current cost reserve		7,495	7,667
		<u>26,117</u>	<u>24,450</u>
<hr/>			
Minority interests		19	19
8½% Debenture stock		1,533	1,533
Deferred payments		1,156	1,330
Loans		4,500	—
		<u>33,325</u>	<u>27,332</u>
<hr/>			
Current cost reserve			
Movement on Current cost reserve:—			
Excess of current value over historical value			
land and buildings		1,644	2,589
plant etc.		78	672
developments and stocks		(1,031)	2,316
		<u>691</u>	<u>5,577</u>
Monetary working capital adjustment		(688)	(423)
Gearing adjustment		(175)	(382)
		<u>(863)</u>	<u>(805)</u>
		<u>(172)</u>	<u>4,772</u>

Notes on the Current Cost Accounts

- 1 Basis** The current cost accounts have been prepared on the basis of SSAP16 issued by the Accounting Standards Committee.
- 2 Fixed assets and depreciation**
- | | | |
|-------------------------|----------------------|---------------|
| Fixed assets comprise:— | 1980 | 1979 |
| | £000 | £000 |
| Land and Buildings | 18,737 | 16,905 |
| Plant etc. | 1,244 | 1,376 |
| | <u>19,981</u> | <u>18,281</u> |
- Land and buildings for 1980 are as stated in the historical cost accounts and reflect the professional revaluation at 30th September.
- Other fixed assets are shown at their estimated values to the business which are their historical values adjusted using a relevant index.
- Depreciation adjustment represents the difference between the historical cost and current cost depreciation charges.
- Fixed asset disposal adjustment represents the difference between the historical book value and the current value of assets disposed of at the date of disposal.
- 3 Cost of sales and monetary working capital adjustments** These adjustments show the effect of price changes on working capital. The adjustments are based on the application of appropriate indices to movements in stocks, developments and monetary operating assets and liabilities.
- 4 Gearing adjustments** This adjustment reflects the proportion of the current cost adjustments financed by net borrowing. The net borrowing comprises:— The Debenture Stock, Deferred Payments, Loans, Overdrafts and Bills.
- 5 Current assets** Stocks and developments are included at estimates of their current value to the business.
- 6 Corresponding amounts** Corresponding amounts are as published in the 1979 Financial statements. They have not been adjusted to a common price basis and are not therefore comparable.

Group Financial Record

Years ended 30th September

Assets Employed

Fixed assets
 Interests in associated companies
 Net current assets
 Total assets employed

Financed by

Ordinary capital
 Group reserves
 Preference capital
 Minority interests
 Deferred taxation
 Deferred payments and loans
 Debenture stock
 Total funds invested

Sales and Profit

Turnover—(External to the Group)
 Construction
 Timber
 Total

Profit before debenture interest
 and taxation

Profit before taxation

Taxation

Profit after taxation

Extraordinary items

Attributable to the shareholders

Dividends payable to shareholders
 Income tax on dividends

Profit retained

Earnings per Ordinary share of
 25 pence

Rate of Ordinary dividend paid per
 25p share

Group profit before debenture
 interest and taxation, as a percentage
 of mean total funds invested

Net assets per Ordinary share of
 25p in issue at end of each year

* adjusted for 1 in 4 bonus issue in
 1973

§ revised basis for deferred tax from
 1976

Δ properties revalued 30.9.77

† properties revalued 30.9.80

1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000

2,146	2,356	3,087	3,402	3,635	4,444	8,318 Δ	9,044	13,610	19,667 \uparrow
465	1,330	946	1,212	1,058	715	195	6	457	890
2,126	1,466	1,861	2,123	3,811	4,866	6,701	7,511	6,289	12,175
4,737	5,152	5,894	6,737	8,504	10,024	15,214	16,561	20,356	32,732

1,179	1,179	1,474	1,474	1,503	1,719	1,719	1,719	1,719	1,719
1,617	1,847	2,134	2,483	2,991	6,256 \S	11,446 Δ	12,857	15,480	23,530 \uparrow
275	275	275	275	275	275	275	275	275	275
19	24	19	19	19	19	19	19	19	19
47	227	392	886	2,132	222	222	158	—	—
—	—	—	—	—	—	—	—	1,330	5,656
1,600	1,600	1,600	1,600	1,584	1,533	1,533	1,533	1,533	1,533
4,737	5,152	5,894	6,737	8,504	10,024	15,214	16,561	20,356	32,732

21,003	23,806	27,529	28,940	33,876	40,309	45,688	53,632	94,637	127,307
2,342	2,907	5,017	7,005	5,639	7,028	8,423	9,038	10,371	11,663
23,345	26,713	32,546	35,945	39,515	47,337	54,111	62,670	105,008	138,970

551	953	1,527	1,399	1,498	1,656	1,836	2,059	2,745	3,006
427	829	1,403	1,263	1,362	1,525	1,706	1,929	2,615	2,876
173	332	629	686	713	145 \S	146	205	50	201
254	497	774	577	649	1,380	1,560	1,724	2,565	2,675
30	—	—	73	—	—	—	—	330	—
224	497	774	504	649	1,380	1,560	1,724	2,235	2,675
103	103	122	131	141	253	282	313	409	495
65	65	4	—	—	—	—	—	—	—
56	329	648	373	508	1,127	1,278	1,411	1,826	2,180

4.1p*	7.9p*	12.5p*	9.4p	10.4p	21.9p \S	22.5p	24.9p	37.1p	38.7p
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1.53p*	1.53p*	1.83p*	1.98p	2.11p	3.48p	3.89p	4.35p	5.75p	7.0p
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12.0	19.4	27.7	22.2	19.7	17.9	14.6 Δ	13.0	14.9	11.3 \uparrow
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47.4p	51.3p	61.2p	67.1p	74.7p	116.0p \S	191.4p Δ	212.0p	250.1p	367.1p \uparrow
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Principal Subsidiary and Associated Companies

Subsidiary companies

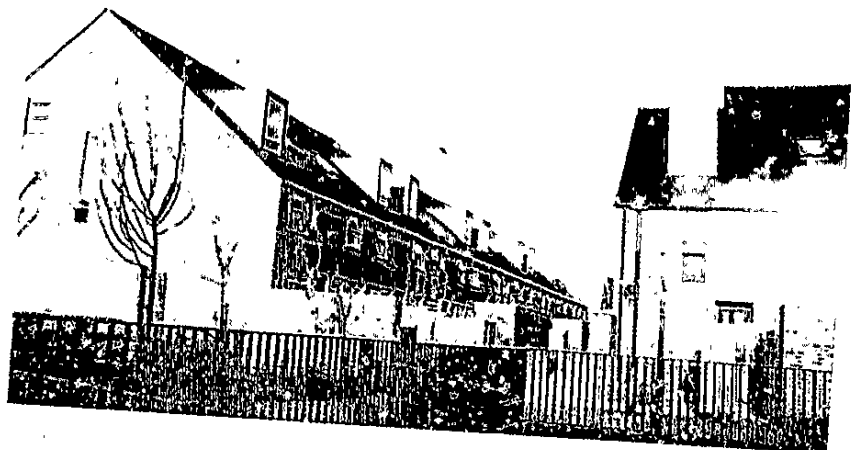
Construction	Lovell Construction Ltd Y J Lovell (London) Ltd Y J Lovell (Midland) Ltd Y J Lovell (Building) Ltd Y J Lovell (Southern) Ltd Walter Lilly & Co Ltd Lovell Housing Ltd *F Rendell & Sons Ltd *Farrow Construction Ltd *Farrow Construction (Northern) Ltd Lovell Construction Services Ltd Lovell Specialist Treatments Ltd *Renelec Ltd	
Plant hire	Lovell Plant Hire Ltd *Red Chequer Plant Ltd	
Timber	James Davies (Holdings) Ltd *James Davies (Timber) Ltd *Patrick & Thompsons Ltd *Crendon Timber Components Ltd *Frank Aldridge (Norfolk) Ltd	
Industrial and commercial property development	Lovell Developments Ltd *Farrow Property Developments Ltd	
Residential development	Lovell Homes Ltd Western Estates (Lawes Cherry) Ltd Lovell Homes Southern Ltd Lovell Homes Western Ltd	
Overseas	Y J Lovell (Overseas) Ltd *Y J Lovell (America) Inc (USA)	
Associated companies		
UK	Lovell Estates Ltd Seltahart Clinics (Clare Park) Ltd	Holding 49% 36%
Overseas	*Lovell/IMG Holdings Inc (USA) *BritAm Construction Management Ltd (USA) *Lovell Stewart (Nigeria) Ltd (Nigeria)	Common Stock 50% Preferred Stock 100% 50% 20%

Except where stated, the companies operate in the UK and are incorporated and registered in England. There is a minority interest in the preference share capital of James Davies (Timber) Limited, otherwise the subsidiaries are all wholly owned. The shares of the companies marked * are held by subsidiaries, all others are owned by Y J Lovell (Holdings) Limited.



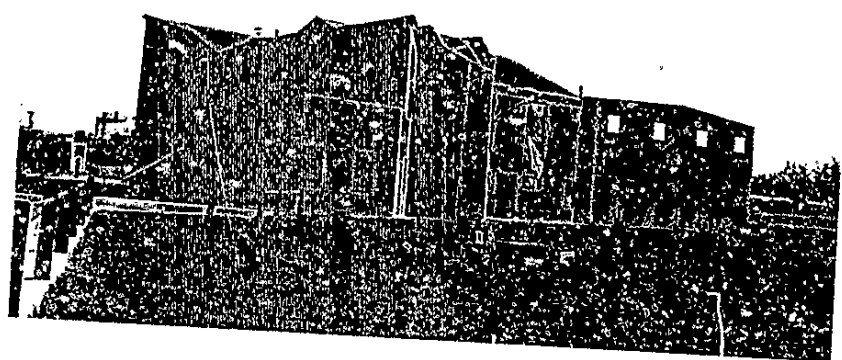
Among a number of contracts carried out for the London Borough of Islington in recent years is a £5.9 million housing scheme at Delhi/Outram Streets, part of which is shown here. The largely traditional construction provides a total of 242 dwellings (houses, maisonettes and flats) in 14 blocks.

Architects: Eric Lyons Cunningham Partnership; *Engineers:* Clarke Nichols & Marcal; *Quantity Surveyors:* Oswald F Parratt & Partners.



This amenity centre, built for the London Borough of Lewisham by Lovell London (centre) owes much to local fund-raising efforts which followed the destruction by fire of the original premises

Architects: Stephen George & Partners; *Engineers:* J E C Farebrother & Partners; *Quantity Surveyors:* Flood & Wilson.



The retention of an historic facade was essential to Farrow Construction's £3 million project for Newton Street Investments, providing offices and shops in a six-storey building on the corner of High Holborn and Newton Street.

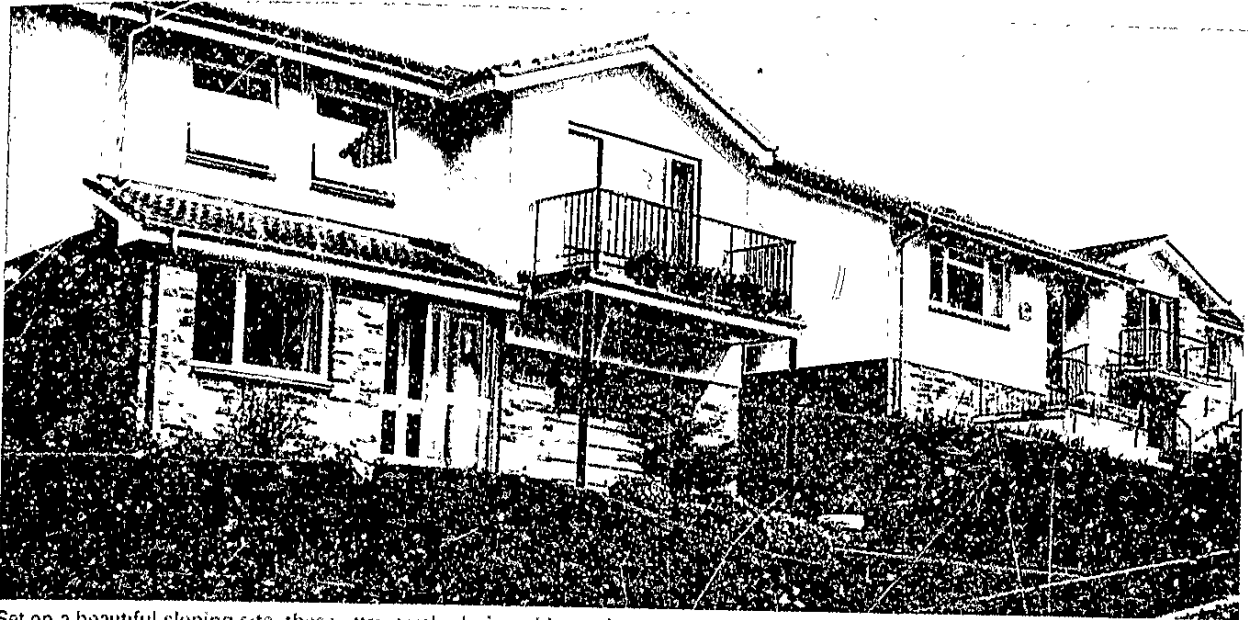
Architects: Sidney Kaye, Firmin Partnership; *Consulting Engineers:* L G Mouchel & Partners; *Consultant Services Engineers:* Rybka, Smith & Ginsler Ltd; *Quantity Surveyors:* Cyril Sweett & Partners.



The year saw two major landmarks for Lovell Homes. It completed its geographical reorganisation with the setting up of regional companies and at Hazlemere, Bucks, sold the last house on a scheme which comprised over 1000 homes built during a 17-year project (see facing page).

(right) Part of the interior of the Sales Centre on the major Warmley, Bristol development by Lovell Homes Western which will offer a wide variety of homes and (below) a small section of a select scheme of 3 and 4 bedroom executive houses at Cranleigh, Surrey being carried out by Lovell Homes Southern.





Set on a beautiful sloping site, these attractively designed bungalows and split-level houses enjoy commanding views of Woolacombe bay and the Atlantic. Now nearing completion, the scheme has been carried out by Lovell Homes Western.

This aerial view gives some idea of the extent of the Hill Farm/Manor Farm development at Hazlemere, Bucks where the 1070 homes provide a balanced mixture of properties ranging from 4 bedroom detached houses to 1 bedroom flats as well as schemes for old people.

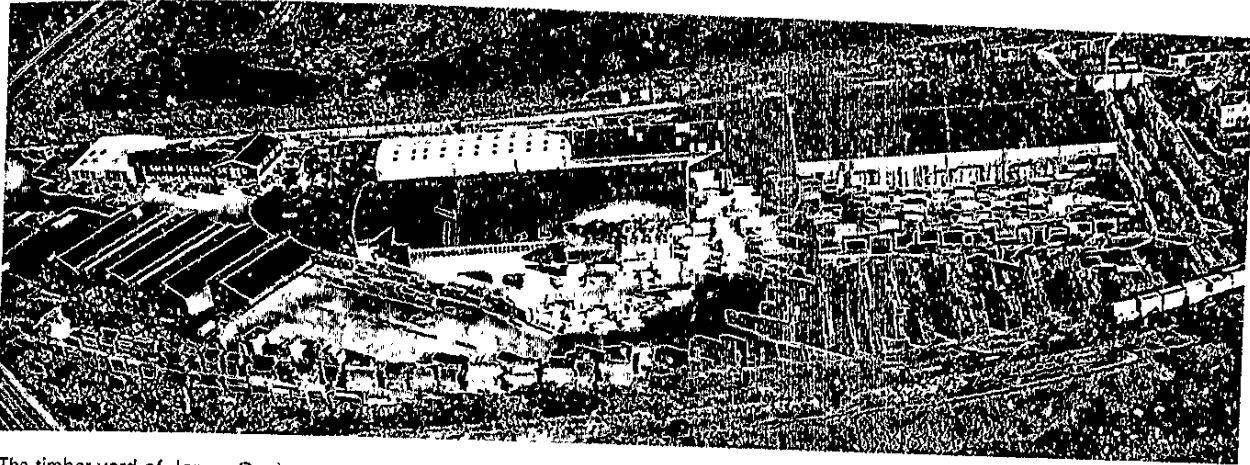


The sale of the 188th home at Pack-saddle Farm, Frome saw the completion of Rendell's largest single private housing scheme to date, developed over a five-year period.

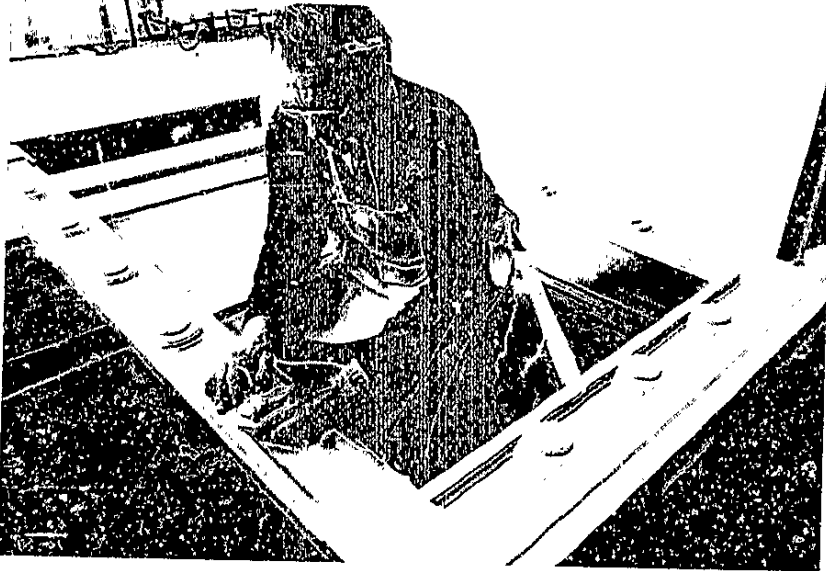
Leonard Williams, Chairman of the Building Societies Association, unveils a house nameplate at Oxford to mark the completion of Rendell's 1000th sponsored home. With the award of recent contracts, Rendell has now received orders for the 2000th!

Part of a select private development of 34 houses, set in a beautiful six-acre site at Bromham, Wiltshire. Designed to cope with the extremes of the Canadian winter, these timber-frame homes boast excellent thermal insulation—underfloor, roofs, walls, doors and triple-glazed windows—far above normal standards. All adding up to energy conservation, greater comfort and lower heating bills.

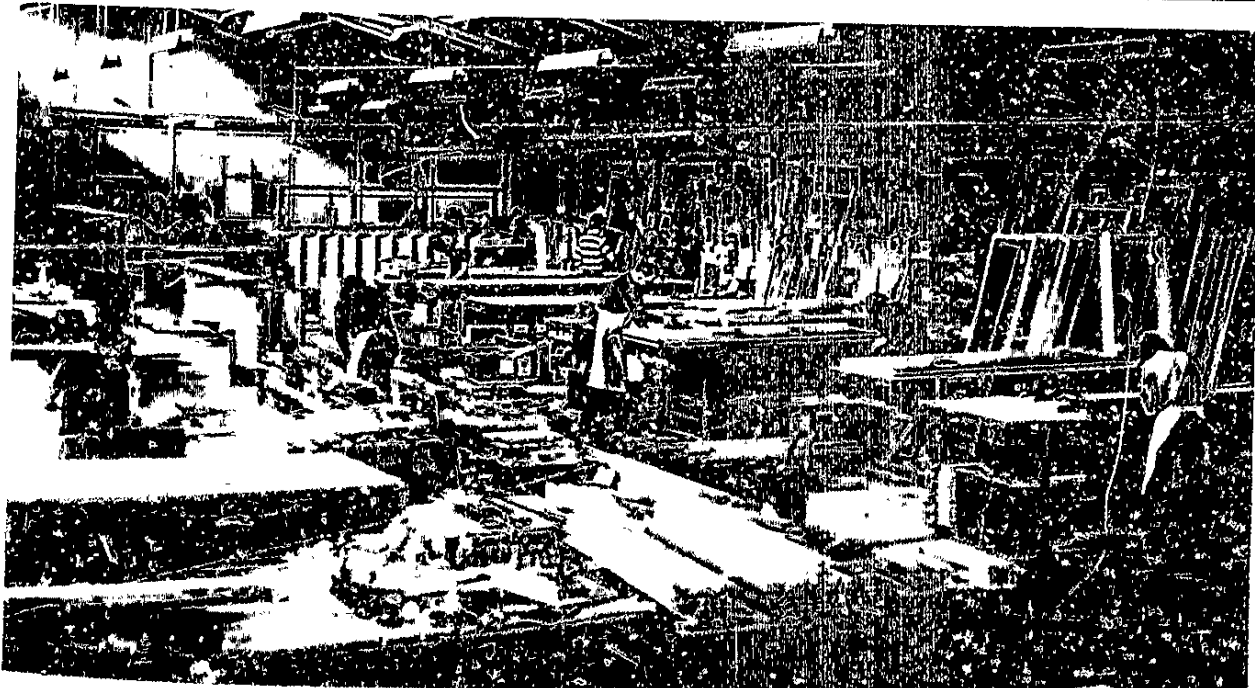


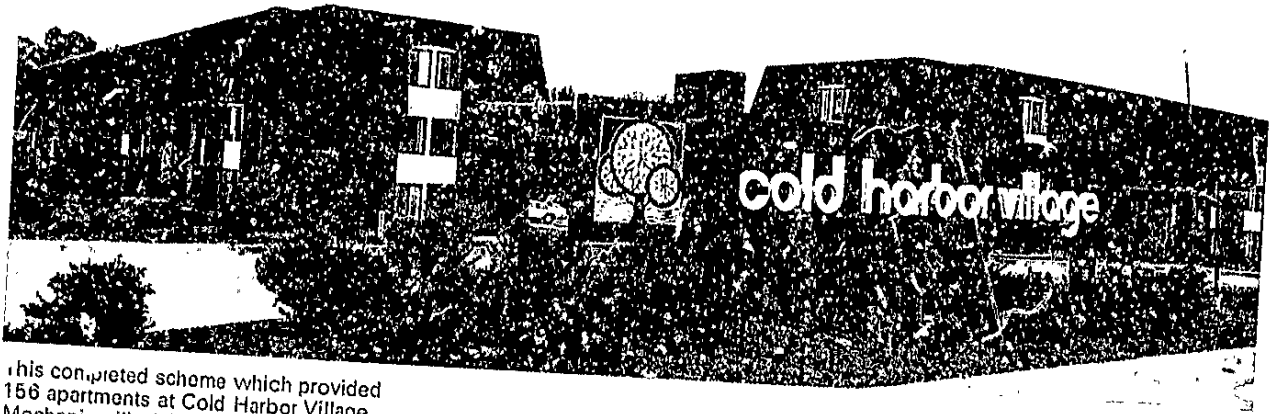


The timber yard of James Davies at Swindon (above) extends to some 12 acres, making it one of the largest timber merchant yards in southern England. Recently completed new offices, extended concrete hardstanding and upgraded covered areas are all aimed at further increasing the Company's operational efficiency.



One of the specialist skills of Rendell at Devizes is joinery. In a modern production unit, the emphasis is on one-off joinery, and the department has deservedly earned a reputation for work of the highest quality.





This completed scheme which provided 156 apartments at Cold Harbor Village, Mechanicsville, Virginia, was a Lovell/IMG project. The development included amenities such as a swimming pool and this superstore, seen in the final preparation for opening.

