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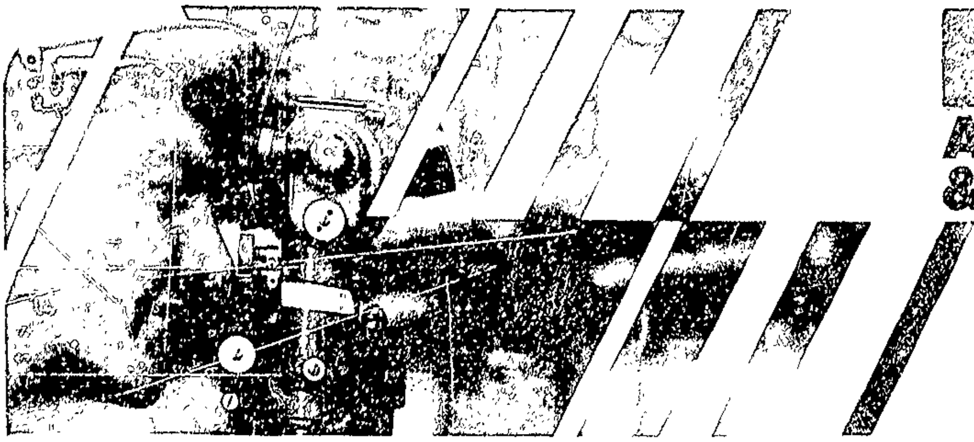
Lovell
Annual Report & Accounts 1981



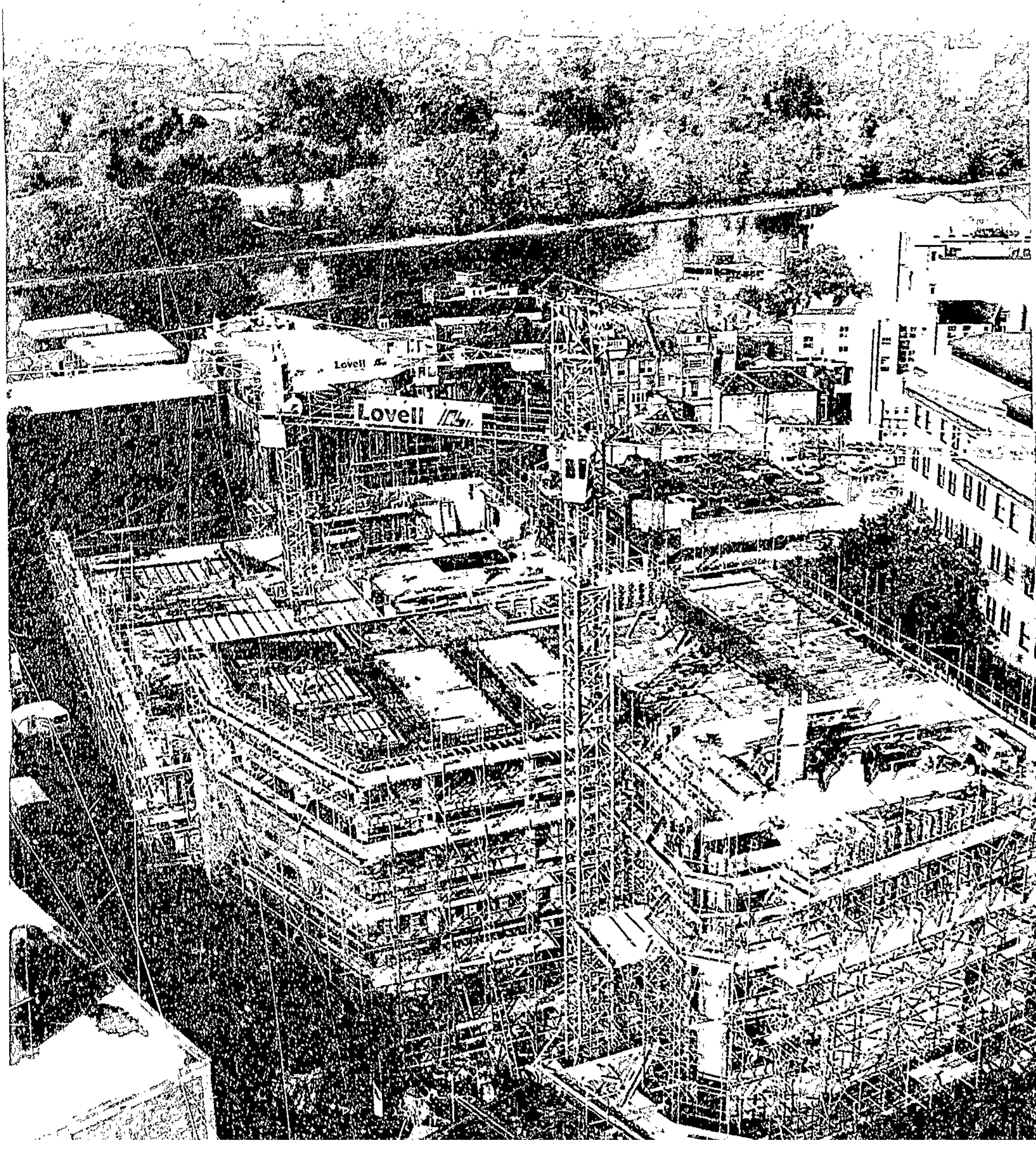
Contents

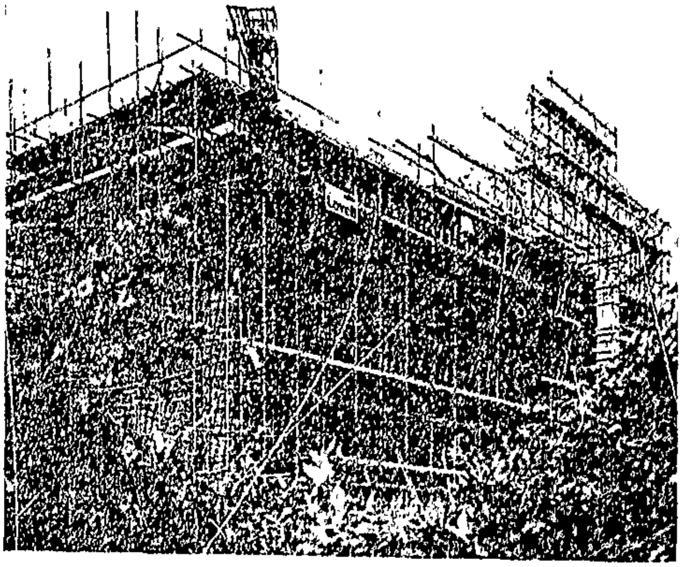
FRONT COVER

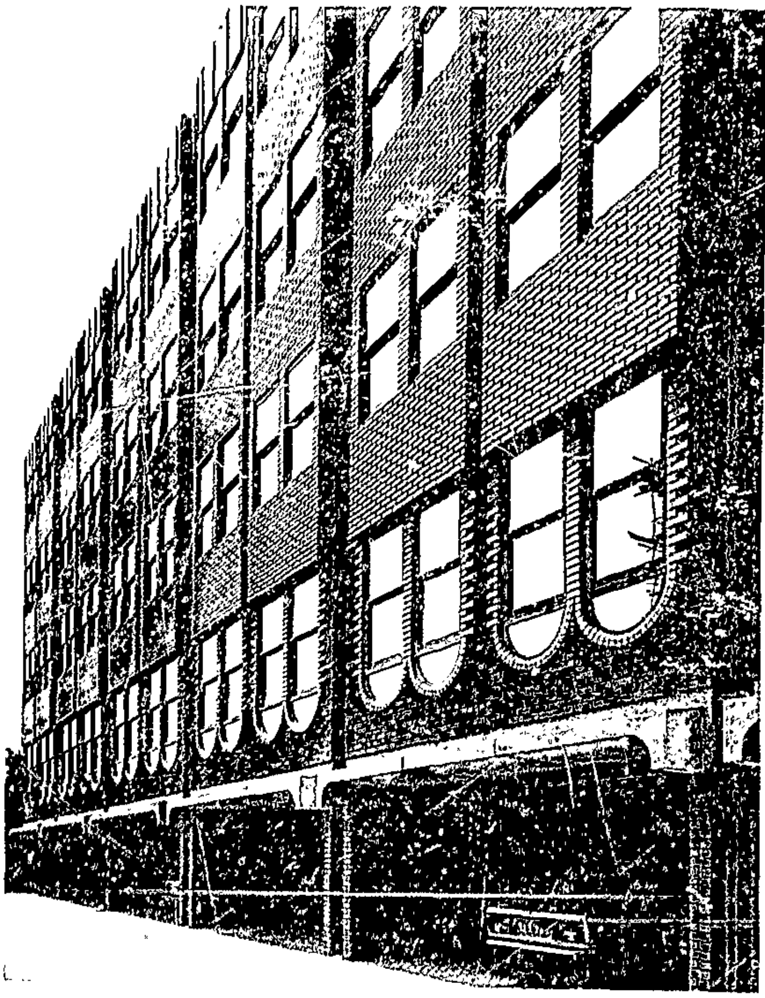
People . . . our most precious asset . . .

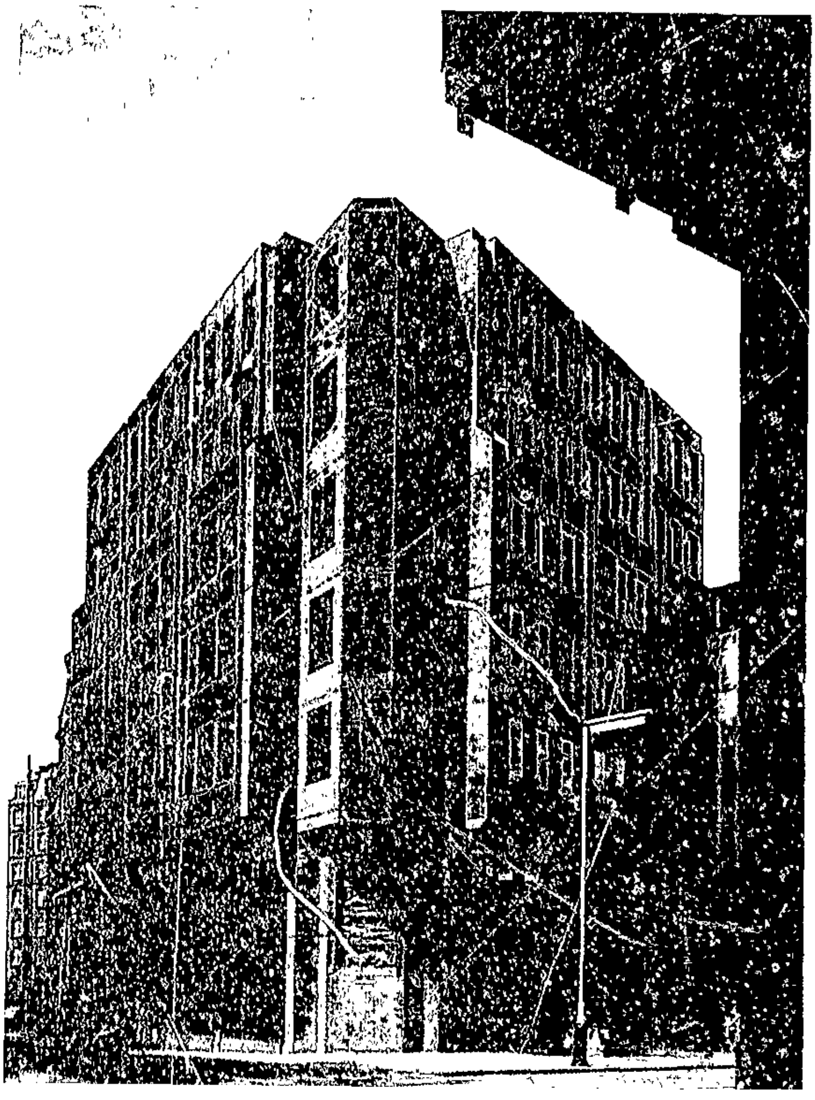
3275 in total, employed in a wide variety of jobs at all levels; in the UK and overseas; on site, in factories and offices. A good proportion are second generation Lovell employees, and some even third and fourth. 663 employees are members of the Group long service club, which has a minimum entrance qualification of 10 years service. Their experience is balanced for the future by youth from school, college and university, who are being given every opportunity for personality and career development through imaginative training programmes.

Work in progress at Kingston upon-Thames by Lovell Southern on a 3,000 m six-storey office block and adjoining 434 vehicle multi-storey car park for NCP Ltd *Architects:* Lister Drew & Associates, *Consulting Engineers* Hill Cannon & Partners and Lovell Construction Services; *Services Consultants:* Tucker Associates; *Quantity Surveyors* Robert G Mason & Partners Immediately behind can be seen a four-storey office building completed during the year for Imperial Group Pension Fund *Architects:* Fitzroy Robinson & Partners; *Consulting Engineers:* Elton Amodia Associates, *Quantity Surveyors:* Gardiner & Theobald





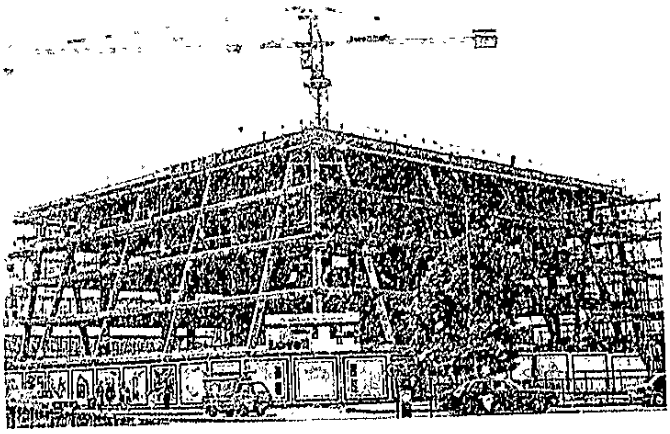


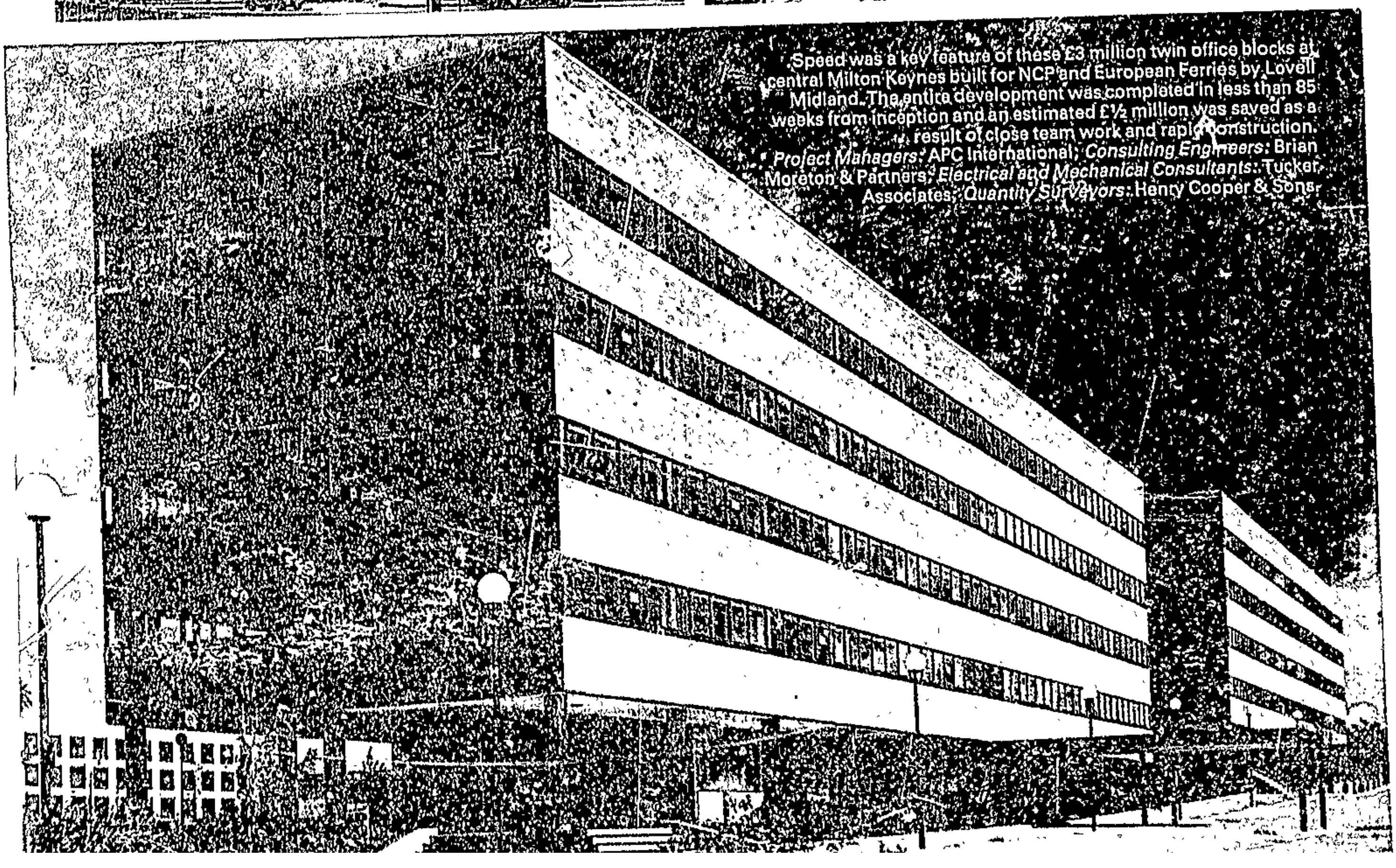


The completed office building *(above)* and the adjacent phase 2 seen under construction, together provide some 7,650 m^2 for occupation by Save and Prosper Group. Built for CIN Properties by Lovell London, the combined value of the two contracts was £4.8 million.
Architects: Damond Lock, Grabowski & Partners; *Structural Engineers:* Moore Vaughan Maclean & Partners; *Services Engineers:* Ruck Wilcox & Partners, *Quantity Surveyors:* Crosher & James

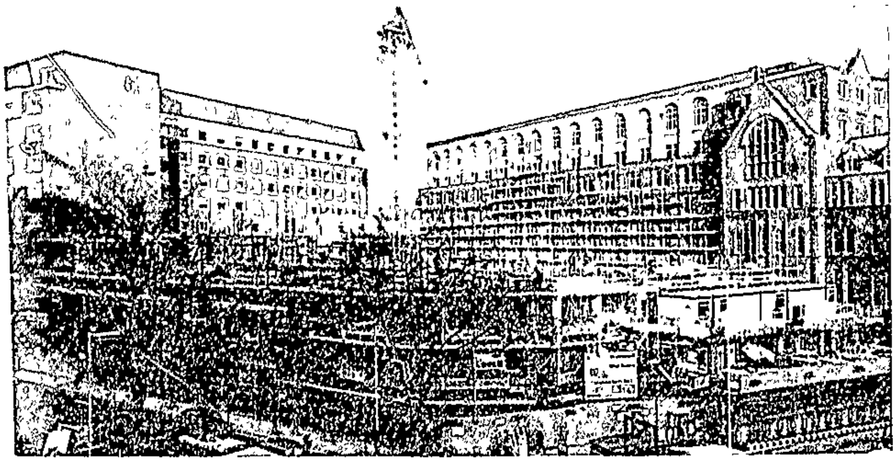
Built for Buckingham Gate Developments by Farrow Construction, this triangular-shaped structure provides seven storeys of prestige office accommodation in Buckingham Gate, London SW1. *Architects:* Chapman Taylor Partners, *Consulting Engineers:* H L Waterman & Partners, *Quantity Surveyors:* V J Mendoza & Partners [illegible] *Project Managers* [illegible] Marriott Worley [illegible] *Consulting* [illegible] B R Ab[illegible] & Associates; *Quantity Surveyors:* [illegible] & Partners

With the structural frame partially completed, the distinctive sloping elevations of the £8.4 million headquarters for Equitable Life Assurance Society are clearly visible. Under construction by Lovell Midland at Aylesbury, this unusual 8,200 m² structure will be clad in vast areas of blue anti-sun glass. *Architects:* GMW Partnership; *Structural Engineers:* Burgess Associates; *Quantity Surveyors:* Gardiner & Theobald

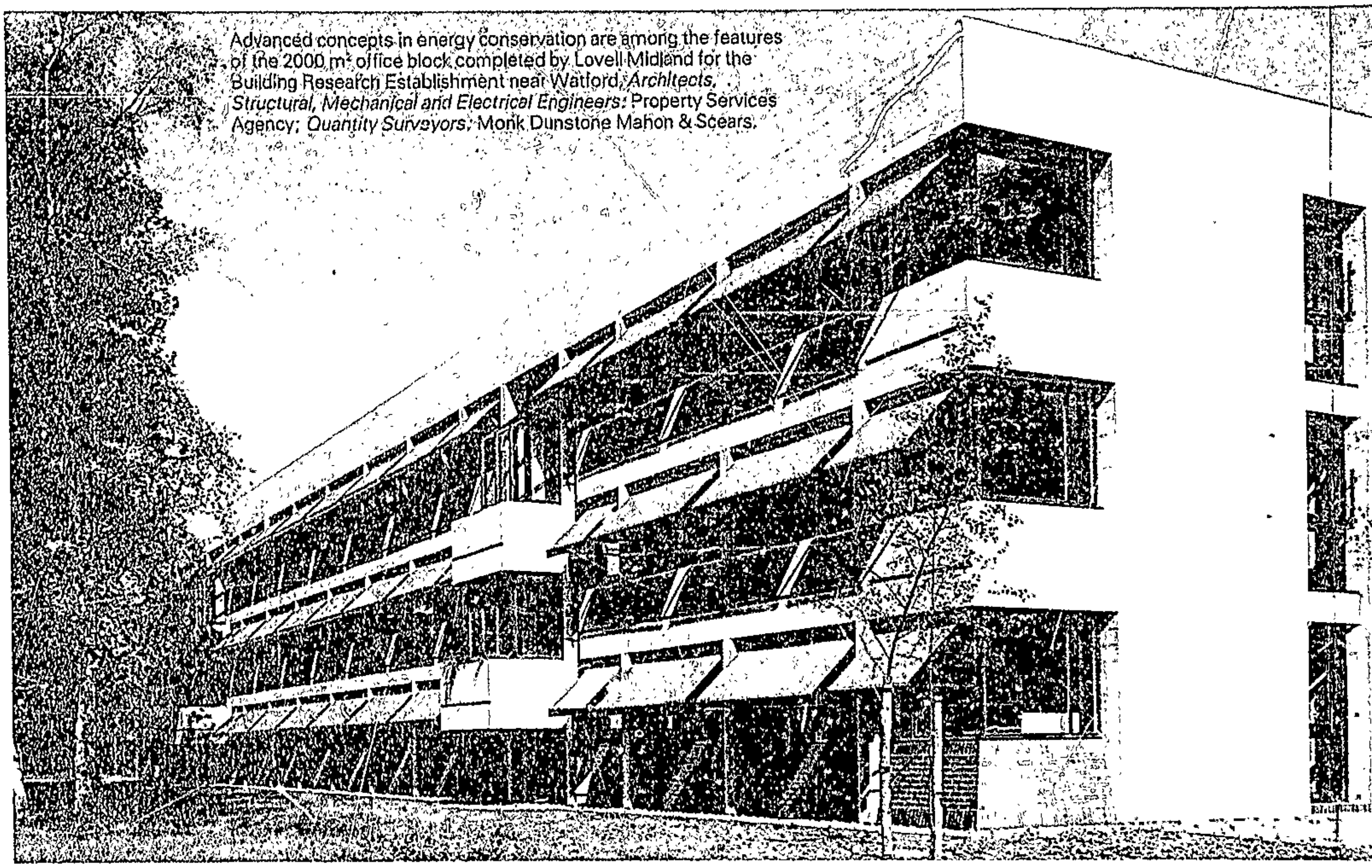




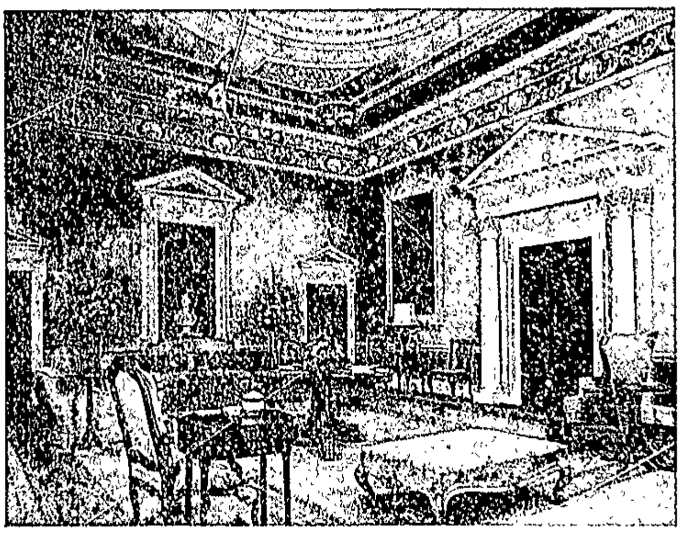
Speed was a key feature of these £3 million twin office blocks at central Milton Keynes built for NCP and European Ferries by Lovell Midland. The entire development was completed in less than 85 weeks from inception and an estimated £½ million was saved as a result of close team work and rapid construction. *Project Managers:* APC International; *Consulting Engineers:* Brian Moreton & Partners; *Electrical and Mechanical Consultants:* Tucker Associates; *Quantity Surveyors:* Henry Cooper & Sons

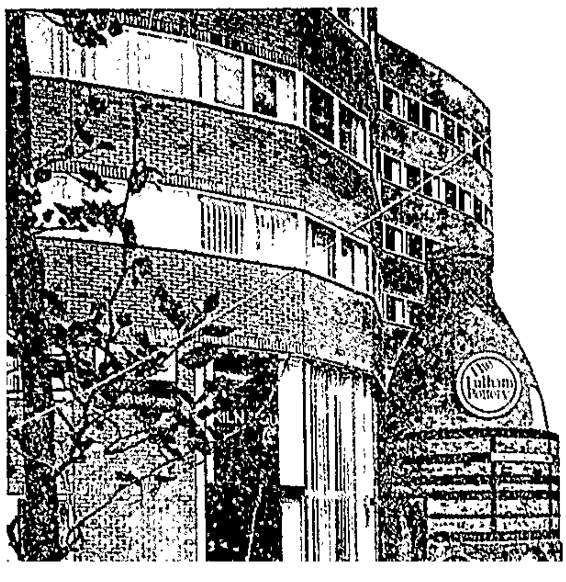


[illegible] Collis; Chief architect: Prudential Assurance; *Consulting Engineers:* Bylander Waddell Partnership; *Quantity Surveyors:* Pritchard, Williams & Hunt

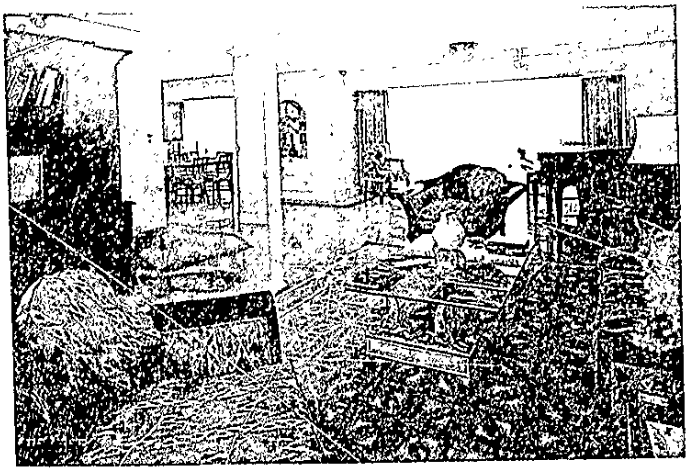


Advanced concepts in energy conservation are among the features of the 2000 m² office block completed by Lovell Midland for the Building Research Establishment near Watford. *Architects, Structural, Mechanical and Electrical Engineers:* Property Services Agency; *Quantity Surveyors:* Monk Dunstone Mahon & Scears.

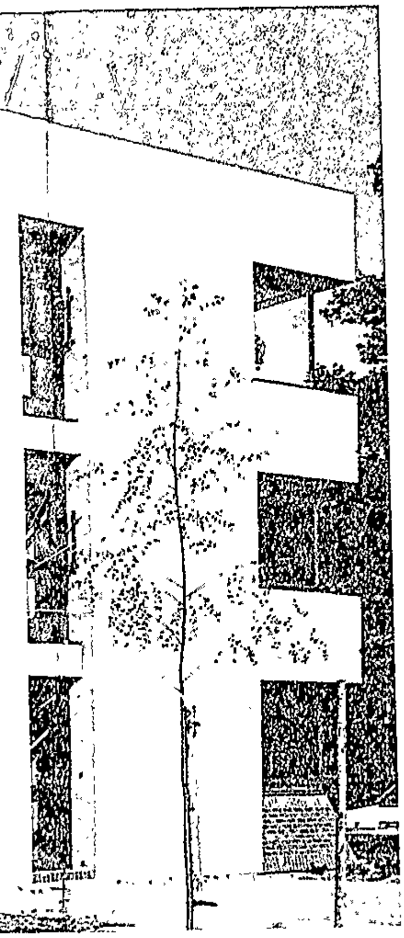


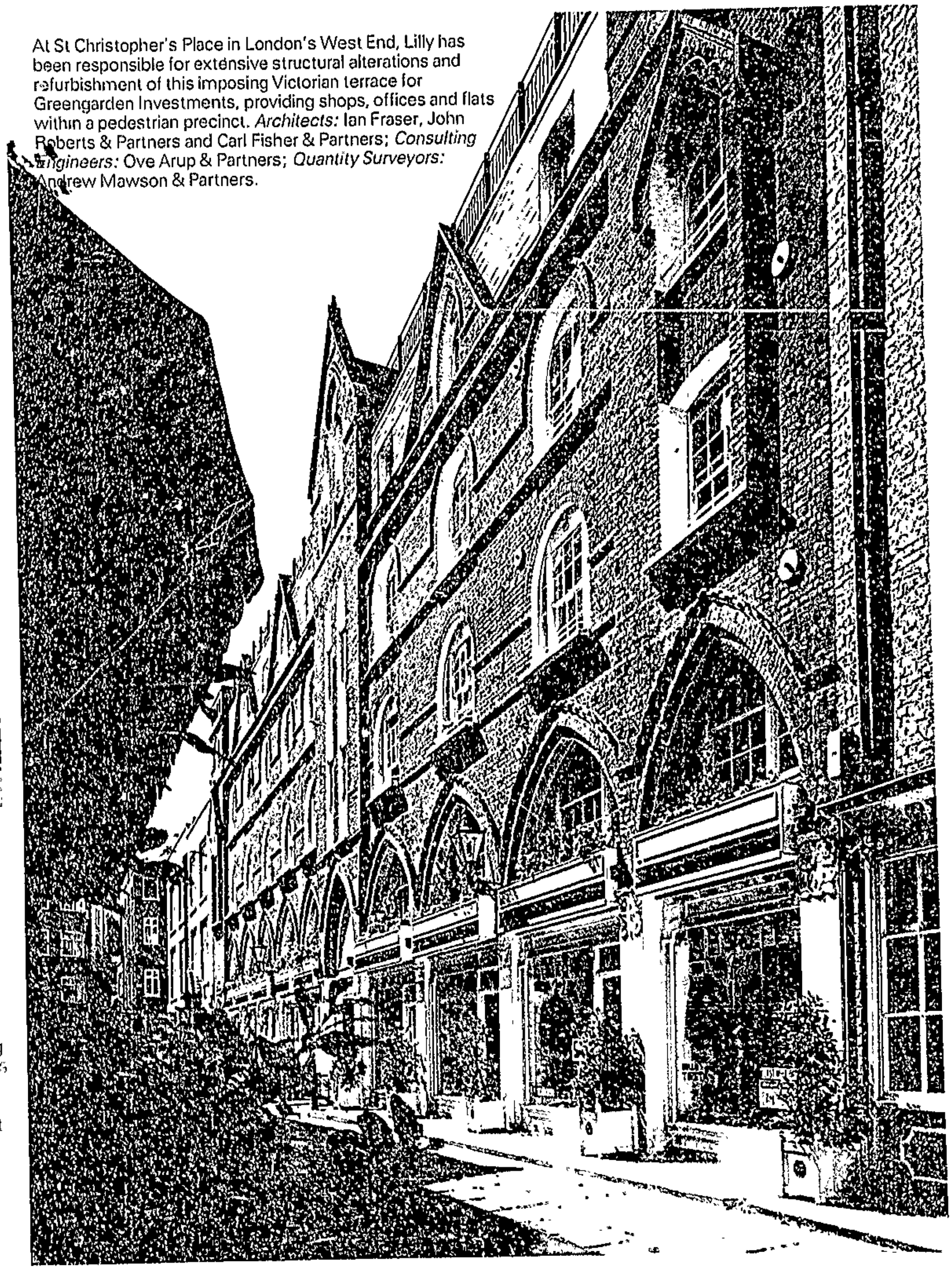


Randall has built a high reputation for restorative decoration in the



At Park Lane, London W1, under a £2.4m [illegible] contract for Western Heritable Investment Co, Farrow carried out refurbishment of ground floor offices and built four luxury penthouse suites. *Architects:* C A Cornish & Associates; *Structural Engineers:* H L Waterman & Partners; *Quantity Surveyors:* V J Mendoza & Partners.

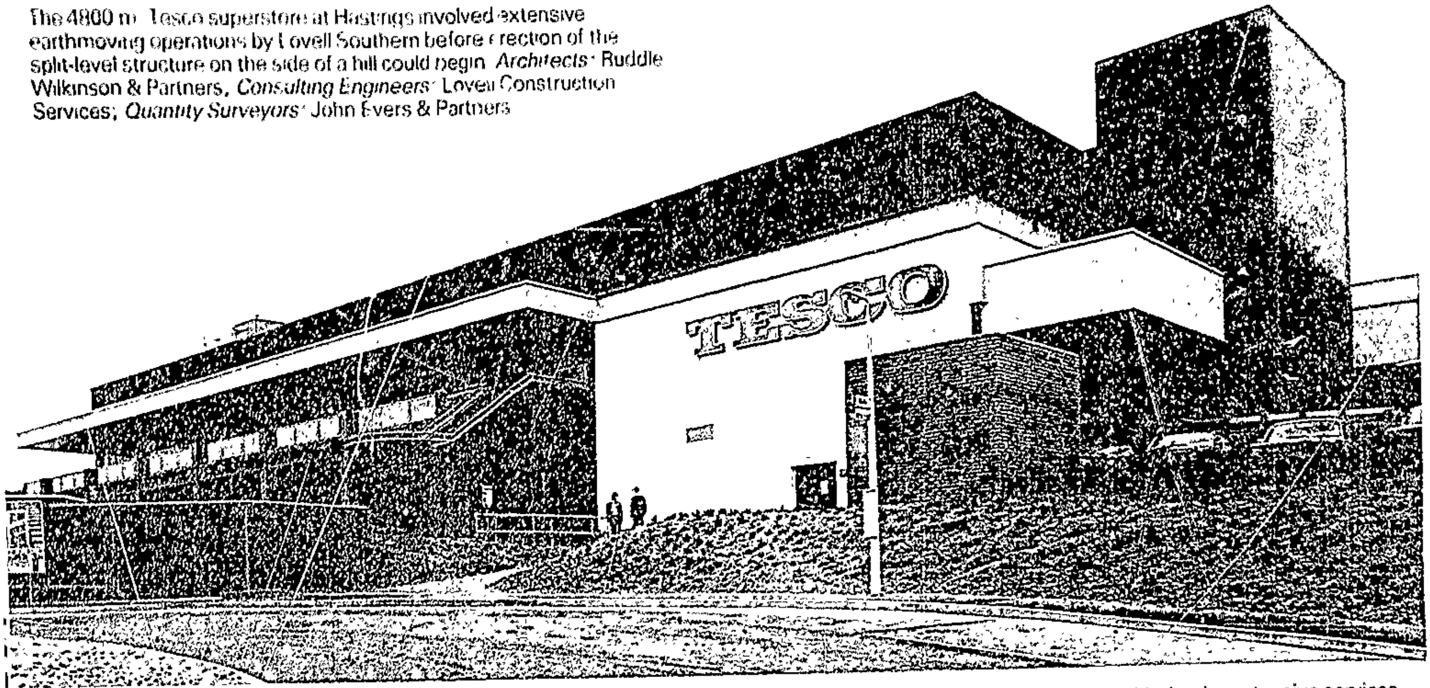


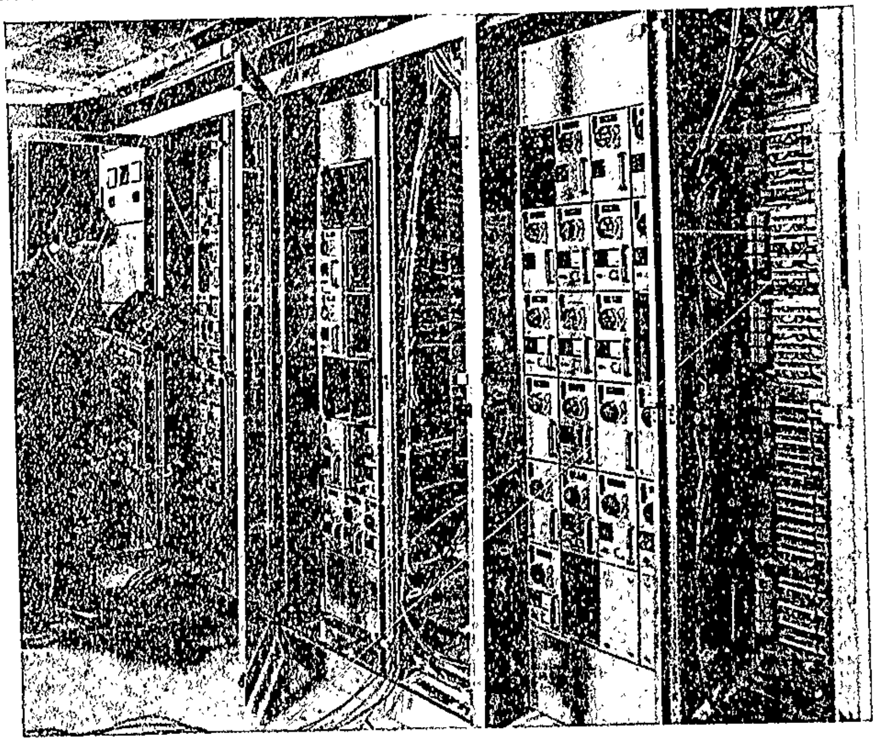


At St Christopher's Place in London's West End, Lilly has been responsible for extensive structural alterations and refurbishment of this imposing Victorian terrace for Greengarden Investments, providing shops, offices and flats within a pedestrian precinct. *Architects:* Ian Fraser, John Roberts & Partners and Carl Fisher & Partners; *Consulting Engineers:* Ove Arup & Partners; *Quantity Surveyors:* Andrew Mawson & Partners.

This kidney shaped office building by Farrow for Capital and Counties Property Co has 38 sides, determined by computer for maximum light gain. The adjacent bottle kiln has been faithfully restored. *Architects:* Turner Lansdown Holt & Paterson; *Structural Engineers:* Ove Arup & Partners; *Quantity Surveyors:* [illegible] & Partners.

The 4800 m Tesco superstore at Hastings involved extensive earthmoving operations by Lovell Southern before erection of the split-level structure on the side of a hill could begin. *Architects:* Ruddle Wilkinson & Partners, *Consulting Engineers:* Lovell Construction Services; *Quantity Surveyors:* John Evers & Partners

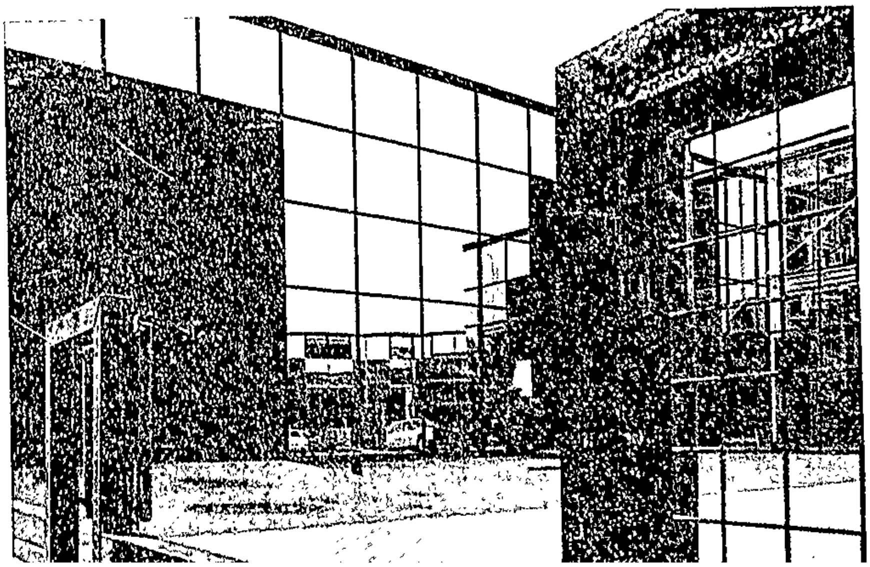




Renelec was responsible for the extensive services installation on a major pharmaceutical building project for Upjohn at Crawley, carried out by Lovell Southern.

(Bottom left) Civic Trust recognition was one outcome for the 9,750 m^2 industrial redevelopment at Wood Green carried out for Samuel Properties (Developments) by Farrow. *Architects:* Terry Farrell Partnership; *Consulting Engineers:* Peter Brett Associates; *Quantity Surveyors:* Monk Dunstone Mahon & Scears.

As part of their contribution to the local scene, Rendell replaced a dilapidated aviary in a Devizes public park. Designed by trainee surveyor Dawn Lodge and built by joinery apprentices Sean Noyes and Gavin Jones from materials provided by Rendell, the new aviary has drawn much local praise.

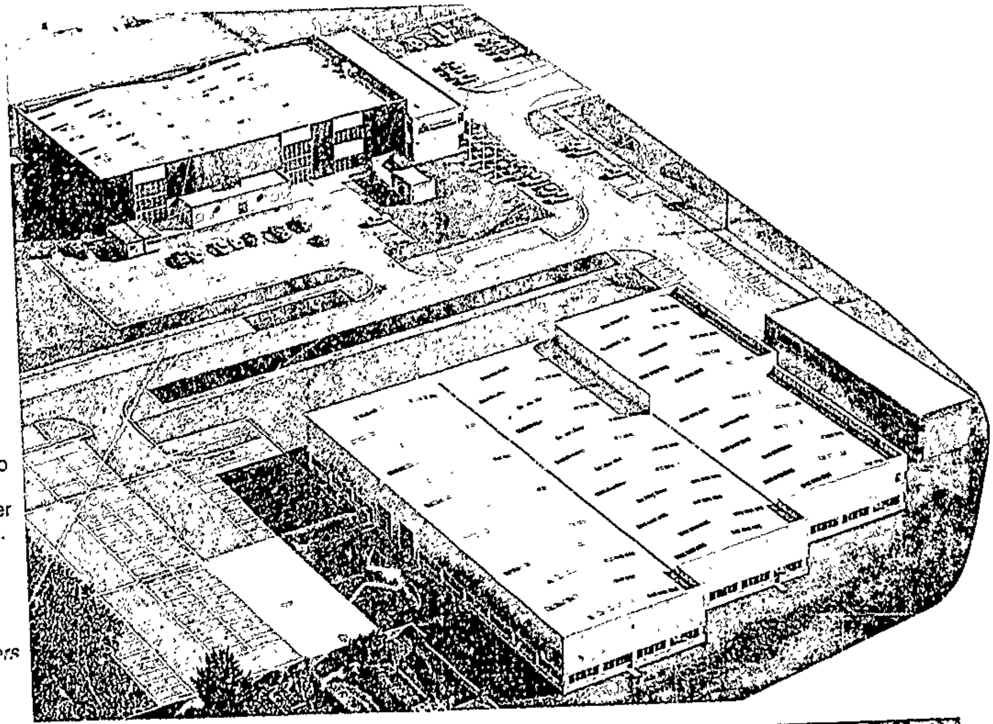


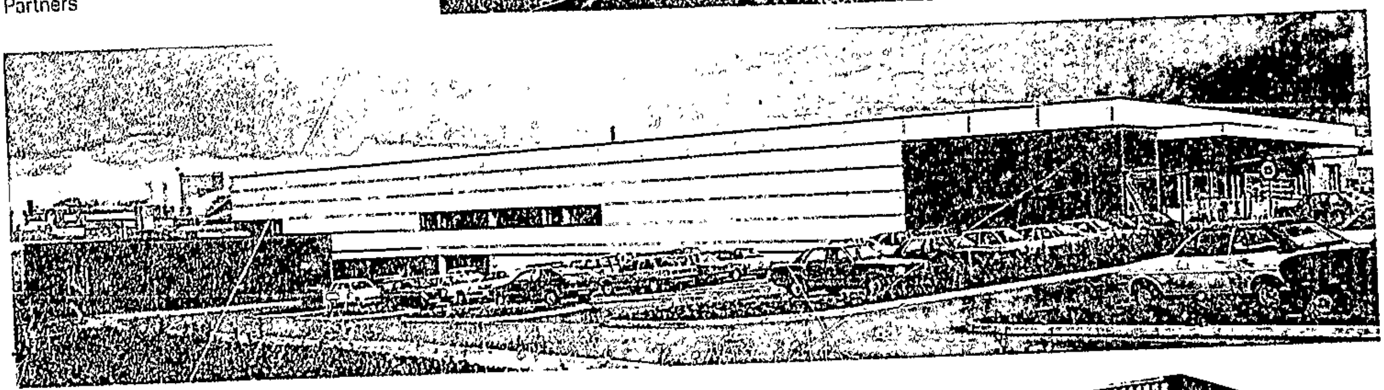
Speed was a major feature of the £1.6 million contract carried out for Slough Estates at Crawley by Lovell Southern. The buildings will provide up-to-date facilities for aviation training. *Architects:* Dennis Lister & Associates in conjunction with Slough Estates Design and Construction, *Consulting Engineers:* Andrew Kent & Stone, *Quantity Surveyors:* Nigel Rose & Partners.

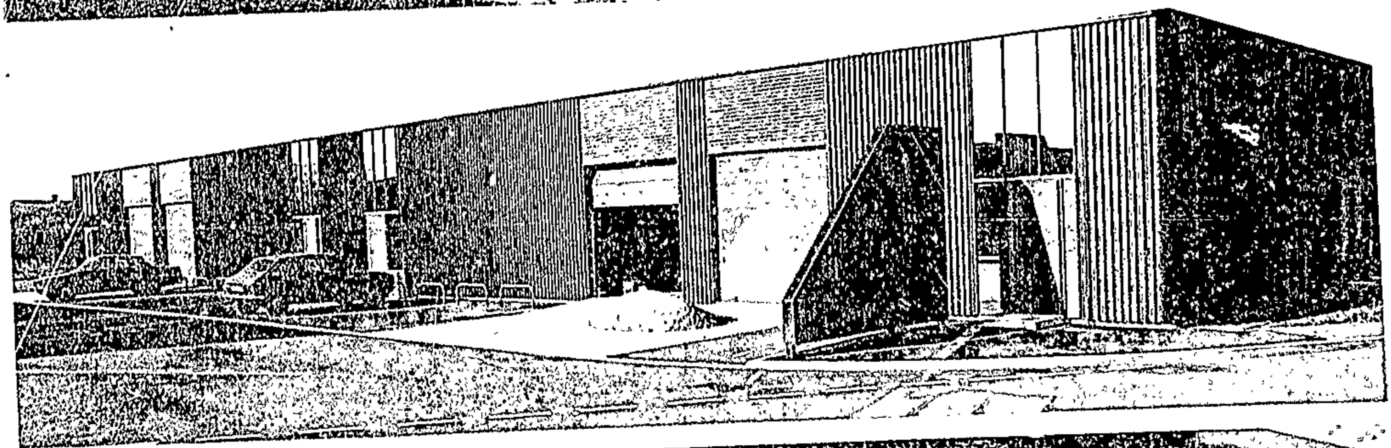
The Operational Control Centre for North West Gas at Blackburn was built under a three-phase contract by Farrow Northern. Predominantly a single-storey building of 3,300 m^2, it also incorporates a 2,100 m^2 basement car park. *Architects, Consulting Engineers, Quantity Surveyors:* Design Group for Industry.

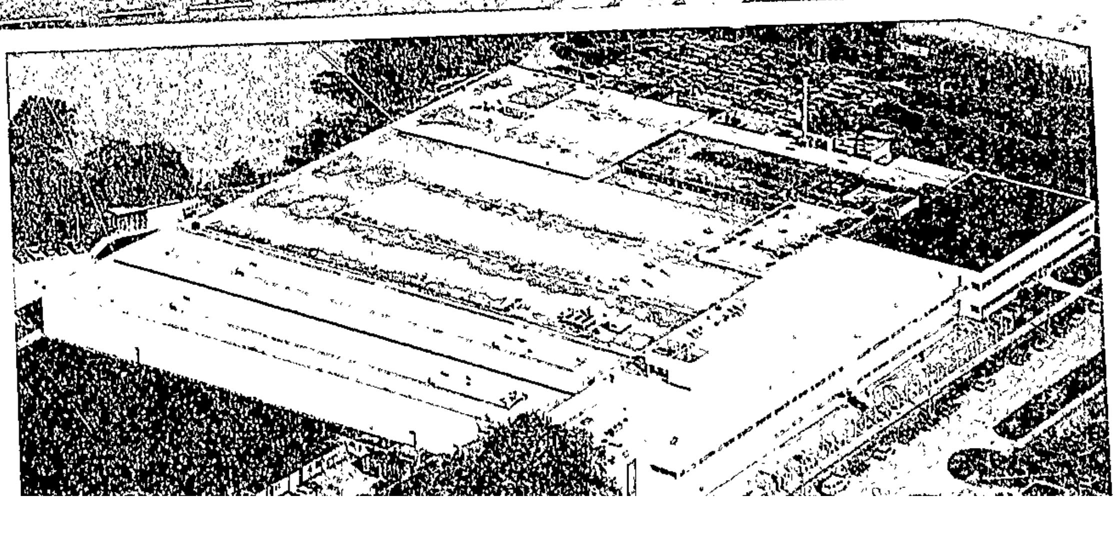
Seventeen mini-factories ranging from 41 m^2 to 165 m^2 were constructed by Farrow Northern for Warrington Development Corporation under the latest of a series of contracts for this client. Professional services were provided by the Corporation.

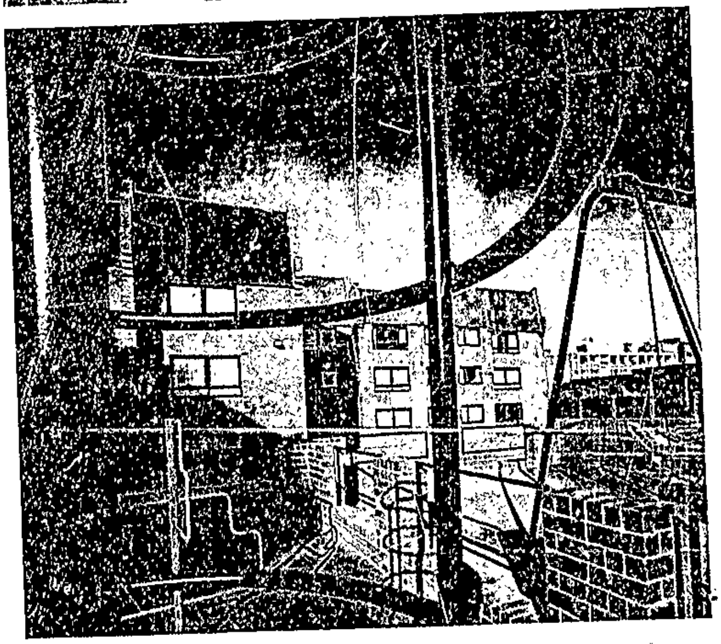
Lovell Southern was responsible for the £3 million extensions to the pharmaceuticals facility at Crawley for Upjohn. *Project Managers and Cost Consultants:* Kenneth R Kensall & Partners





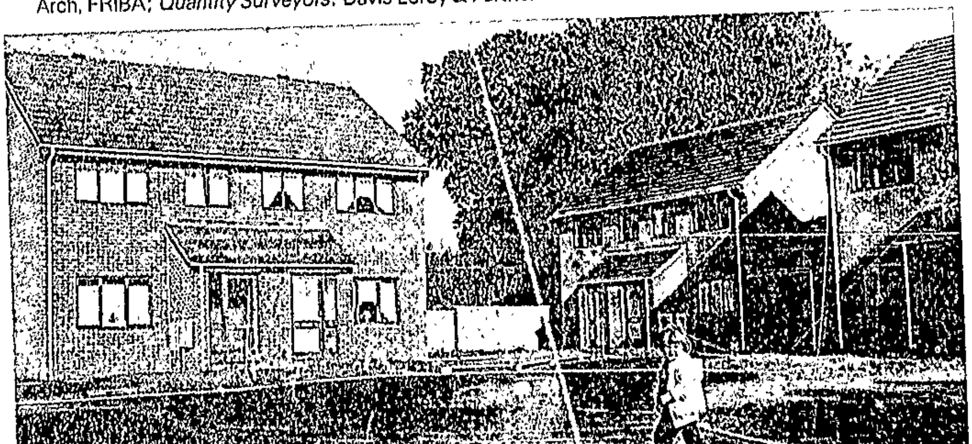






Timber-frame construction was selected for 155 new quarters at Dale Army Camp, Chester *(top)* under a contract which also included the modernisation of 83 pre-war dwellings. *Architects and Engineers:* PSA in conjunction with Lovell Construction Services; *Quantity Surveyors:* Burrell, Hayward & Budd. The housing project, together with the construction of NAAFI and TAVR premises, brought the total value of work on this site to £6 million.

The London Borough of Harrow awarded Rendell the £1.6 million contract for building 128 homes comprising houses, flats and sheltered accommodation at South Harrow *(right)*. The project included the conversion of a derelict Victorian listed building. *Architect:* Brian Mills, Dip Arch, FRIBA; *Quantity Surveyors:* Davis Leroy & Partners.



Partnership housing continues to increase in volume and geographic spread. Working with Local Authorities, the company provides low-cost homes for first-time purchasers at below-market prices and without financial commitment on the part of the Authority. Recognised as one of the UK leaders in partnership housing, Rendell has now completed nearly 2000 homes under this system.

On the left is part of a 99 dwelling development for Newbury District Council at Thatcham, while below is a section of a 62 unit scheme at Chippenham for North Wiltshire District Council. *Architects.* (Newbury) F R & S Design Team; (Chippenham) F R & S Design Team in conjunction with Nigel Clark Associates.

Notice of Annual General Meeting

Notice is hereby given that the twenty-second annual general meeting of the Company will be held at the Portman Hotel, Portman Square, London W1 on Wednesday 17th March 1982 at 11.30 a.m. for the following purposes:—

1 To approve and adopt the accounts for the year ended 30th September 1981, together with the reports of the Directors and Auditors (resolution 1)

2 To declare a final dividend of 5.75p per share on the Ordinary shares payable on 1st April 1982 (resolution 2)

3 To re-elect the following Directors who retire in accordance with the Company's Articles of Association:

P L Davis	(resolution 3a)
J C Watts	(resolution 3b)
L E H Williams	(resolution 3c)
G E Segrove	(resolution 3d)

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

As special business to consider and, if thought fit, to pass the following resolutions, of which those numbered 5 to 7 will be proposed as ordinary resolutions and that numbered 8 as a special resolution:—

5 That the authorised share capital of the Company be increased from £2,775,000 to £6,275,000 by the creation of an additional 14,000,000 Ordinary shares of 25p each (resolution 5).

6 That the sum of £2,149,293.75 standing to the credit of the capital reserves be capitalised and applied in paying up in full at par 8,597,175 unissued Ordinary shares of 25p each in the capital of the Company and that such 8,597,175 shares so paid up be allotted credited as fully paid to those persons who shall be registered at the close of business on 26th March, 1982 as holders of the issued Ordinary shares of the Company rateably according to their respective holdings in the proportion of one new Ordinary share of 25p for each Ordinary share then held by them respectively and that the Directors be authorised and directed to apply the said sum of £2,149,293.75 and to issue and allot the said 8,597,175 Ordinary shares accordingly upon the terms that such new Ordinary shares will rank pari passu with the existing issued Ordinary shares for all purposes including for any dividends hereafter declared or paid, except that they will not rank for the recommended final dividend of 5.75p per share payable on 1st April, 1982 to Ordinary shareholders on the register on 19th February 1982 (resolution 6).

7 That:—
1 The savings related share option scheme set out in appendix II to the circular to shareholders dated 5th February, 1982 from the Chairman of the Company which accompanied the annual report and accounts for the year ended 30th September 1981 be and is hereby approved and the Directors be and they are hereby authorised to carry the same into effect.
2 A Director may be counted in the Quorum for the purpose of considering, and may vote as a Director on, any matters connected with the said scheme (except his own participation therein), notwithstanding that he may be interested in the same, and the provisions of the Articles of Association of the Company from time to time be and the same are hereby relaxed to that extent (resolution 7).

8 That the regulations contained in the printed document submitted to this meeting and signed by the Chairman for the purpose of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the entire exclusion of all existing Articles of Association of the Company (resolution 8).

By Order of the Board
H W Hicks
Secretary
4th February 1982

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 11.15 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.

Directors and Officers

Directors	*Chairman:*	Sir Peter Trench CBE
	Chief Executive:	Norman E Wakefield FCIOB
		P L Davis FCIOB
		J G Laing FCIS
		I D McIntyre
		Geoffrey Segrove FCIOB
		John C Watts FCIOB
		B D Whymant-Morris MIPM
		Leonard Williams CBE DFC FCA
Secretary		H W Hicks FCIOB
Joint Auditors		Ernst & Whinney
		F L Rouse & Co
Bankers		Barclays Bank Limited
		Lloyds Bank Limited
		National Westminster Bank Limited
Solicitors		Freshfields
Stockbrokers		Carr, Sebag & Co
Merchant Bankers		S G Warburg & Co Ltd
Registered Office and Transfer Office		Marsham House, Gerrards Cross, Bucks.

Chairman's Statement

Few in the construction industry will mourn the passing of 1981. It is of course true, as the Minister for Housing and Construction has said, that the construction industry 'stands to benefit more than most sections of industry from the establishment of a soundly managed economy which controls inflation and lays the foundations for genuine economic growth'. It awaits that happy time. In the meantime, it is suffering more than most. Statistical evidence is now becoming available to show that last year the decline in construction output in the UK was probably the most severe since the end of the second world war. Indeed, the number of houses built in 1981 was the lowest – war years apart – for over half a century. Admittedly there was a false dawn for private sale housing earlier in the year but the promise was never really fulfilled. The public sector programme collapsed; industrialists declined to invest in building; customers in the commercial building sector lost confidence as the year progressed and even the vast demand for repair and maintenance lost its momentum.

It is against that stark backcloth that the performance of the Lovell Group in the financial year to 30th September 1981 should be judged. Not unexpectedly, turnover remained static but it gives me great satisfaction to report once again record profits – an increase of 11%. A brief examination of some of the factors contributing to the success might be of interest.

First the belt-tightening process of the previous year continued. In the construction companies, this meant producing more buildings more quickly using fewer men and less money. In the plant and timber companies, it meant further de-stocking and the closure of some depots. In short, the determined drive for increased productivity has continued.

Secondly we have carried out a policy of expanding those areas where the potential has been greatest; joint ventures with local authorities in the provision of low cost housing for sale is an example of this – admittedly capital intensive but showing an acceptable return.

Lastly, at a time of high interest rates, a combination of strict financial control and continued pressure on cash collection has enabled us not only to contain borrowings but also to reduce interest costs.

There is little doubt in my mind that these policies, together with those of diversification, decentralisation serviced from the centre and a management structure which allows rapid action to be taken as an opportunity presents itself, have served the Group well in a year which I believe has been one of the worst the industry has experienced. Equally important, however, is the need to maintain and strengthen the commercial base of the Group so that when the upturn starts we are in a position rapidly to take advantage of the many opportunities which will occur.

Your Board announced on 4th February 1982 that it proposes to raise new permanent capital by way of a rights issue to ordinary shareholders. The circular enclosed with these accounts sets out why we consider it desirable to raise new capital at the present time and gives full details of the issue.

In order that the issued share capital of your Company should more closely reflect the capital employed in the business, and to increase the marketability of its shares, we also propose, following the rights issue, that a capitalisation issue be made to Ordinary shareholders on the basis of one new Ordinary share for each share held.

Chairman's Statement
continued

Furthermore, I am very pleased to say that proposals are being submitted to shareholders for the approval of a Save as You Earn share option scheme to be introduced to enable all our longer serving employees to participate in the Group's fortunes through share ownership.

Details of the capitalisation issue and share option scheme are also set out in the enclosed circular. Resolutions to effect the increase in capital, to effect the capitalisation issue and to approve the share option scheme will be proposed at the Annual General Meeting convened for 17th March 1982.

During the course of the year, a substantial holding of shares in the ownership of National Car Parks Limited, Sir Donald Gosling and others was placed with a number of financial institutions. Subsequently, Sir Donald, who had been on the Board since 1975, resigned in order to devote more time to his other numerous business interests. We miss his wise counsel and friendly presence at our meetings. His place as a non-executive director has been taken by Leonard Williams, CBE, DFC, FCA, a director and until recently, Chief General Manager of Nationwide Building Society and the immediate past-Chairman of the Building Societies Association. He is a member of the Housing Corporation. I am certain that with his wide experience of financial and housing matters, he will make a most valuable contribution to our deliberations. Peter Davis, who has been concerned with the main housing-building activities of the Group for many years, has also joined the Board. We also welcome newcomer John Watts, previously Chief Executive of Fairclough Building Limited. He will have overall responsibility for all construction activities within the Group, including the plant hire and sales business.

These appointments will, I hope, release our hard-working and dedicated Chief Executive, Norman Wakefield, from some of the day to day operational management. With this in mind, it is with the greatest pleasure that I can report that he has accepted the Board's invitation to become Deputy Chairman while retaining the office of Group Chief Executive.

We have chosen to highlight our main resource – People – on the cover of this year's Annual Report. We continue to train and develop senior management as is illustrated by the internal Board promotions that have taken place this year. Priority to the development of young men and women continues and is reflected in the record numbers under training this year.

My thanks are due to every one of the many hundreds of people in the Group for the sterling performance of 1981 and the profit record which they have once again achieved.

1982 will be hard going but the current financial year has started well and we are determined to take full advantage of opportunities that will present themselves. Those who believe that the construction industry might be used as a vehicle for reflating the economy are in my view likely to be disappointed no matter what cogent arguments are raised in its favour. Nevertheless, there is every reason to believe that any economic upturn will be rapidly reflected in those areas of construction where the Lovell Group is strongest. We are prepared for this in 1982.

PETER TRENCH

Directors' Report

The directors submit the Balance Sheet of the Company and the Consolidated Balance Sheet at 30th September 1981 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 1981 before taxation amounted to £3,192,000 as follows:–

	1981 £000	1980 £000
Construction and related activities	**3,633**	2,664
Timber importing and merchanting	**(326)**	237
Losses of associated companies	**(115)**	(25)
	3,192	2,876

The turnover of the Group was as follows:–

	1981 £000		1980 £000	
Construction and related activities	**133,265**	**90%**	133,322	90%
Timber importing and merchanting	**14,687**	**10%**	14,107	10%
	147,952	**100%**	147,429	100%
Less: Inter-company sales	**10,843**		8,459	
	137,109		138,970	

Appropriations

The consolidated profit for the year after taxation and extraordinary items was £2,807,000 (1980 £2,675,000). Preference dividends for the year have been paid. An interim net dividend of 2.25p per Ordinary share (1980 2.0p) was paid on 1st October 1981 and the directors recommend a final net dividend of 5.75p per share(1980 5.0p). The amount of the total dividends on Ordinary shares is £551,000 (1980 £481,000). Subject to the necessary approval of the members being given at the Annual General Meeting to be held on 17th March 1982 the final dividend on Ordinary shares will be paid on 1st April 1982 to members on the register on 19th February 1982.

Directors' Report
continued

Activities

Construction
Turnover £88.8m (£94.9m)

In the face of the 12% fall-off in work available to the Industry in 1981 compared with the previous year, the Construction Division did well to achieve turnover of almost £90m. More importantly, determination to take fullest advantage of the challenging trading conditions produced record profits in the Division from very slim margins. This was accompanied by a positive cash flow which more than off-set increases in working capital needs elsewhere in the Group.

This performance has been eroded by reverses elsewhere but the Division made the largest contribution to the Group's profit progress.

Every company in the Division, operating under their various individual styles and identities – Lovell, Farrow, Lilly and Rendell – reached, and in most cases exceeded, their profit targets, with one exception. Farrow Construction (Northern), deployed in one of the most difficult market areas of the country, made a small loss in contrast to the consistent performance over previous years.

It is pleasing to report in contrast to last year that a number of current Design/Construct timber-framed housing contracts, procured through Lovell Construction Services, are being carried out by other Group companies and are proceeding well and profitably.

The operating conditions in the Industry undoubtedly helped well-motivated construction management teams to establish control over site progress and costs more effectively than has been possible in previous years. At the same time, quality – always a Lovell characteristic – has certainly not suffered; indeed, it has in many cases been enhanced.

Many interesting projects covering the whole spectrum of building management and technical achievement have been completed in the year.

Indicative of these are the fitting out of Centre Point for the CBI (£2.5m); the first phase of an office building in Romford for CIN Properties (£1.75m); a superstore/community centre/residential complex in Loughborough for Key Markets. (£3.3m); the Blackburn Operational Control Centre for the British Gas Corporation (£2.1m); a computer centre in Portsmouth for Post Office Data Processing Services (£3.2m); extensions and refurbishment at Cumberland Garage, London W1 for National Car Parks (£2.5m); office building in Buckingham Gate, London SW1 for Buckingham Gate Developments (£1.1m); an industrial development at Wantz Road, Dagenham (£2.0m) and an industrial development at Wood Green for Samuel Properties (£2.1m).

Some of these are illustrated in this Report.

Current performance and reputation, as well as the Division's own confidence in the future, have all benefited from the recent changes and improvements in the organisation.

Amongst the most significant moves has been the creation of Lovell Construction both as the controlling company of the Construction Division and as a trading entity in its own right to carry out larger contracts where appropriate. John C Watts, previously Chief Executive of Fairclough Building Limited has been appointed Managing Director of this company from 1st January, 1982.

The bringing together of all the Division's technical services under the mantle of Lovell Construction Services, with Eric Vassar as Managing Director, is an indication of the increasing importance that is attributed to these activities. More effective front-end service to our clients as well as strong technical support to the operating companies in the field has resulted.

Our Design and Construct, Project Management and Management Fee activities have all been centred within this company. Largely as a result of the efforts of those involved the turnover and profit contribution from these sources has materially increased in the year, with the expectation that about a quarter of the Division's turnover for 1982 will be derived from these specialised forms of contracting.

A number of other Director appointments have been made in the year, all internal promotions, and these demonstrate that management progression plans laid down in previous years are now bearing fruit to provide experienced management for the building companies.

The level of the Division's current forward order book for 1982 is satisfactory and, on the assumption that sufficient work continues to flow in during the year, there is confidence that the contribution from the Construction Division can be maintained.

Selection of contracts placed within the Lovell Group during the year:

	Value £000
Office building, Phase 2, Romford for CIN Properties Ltd.	3,065
Upgrading of Hoechst House, Hounslow for Norwich Union Life Insurance Society	2,185
Office building, Aylesbury for The Equitable Life Assurance Society	8,396
Refurbishment and alterations to Greenly House, London EC3 for BL Holdings Ltd.	2,430
Office block and car park, Kingston for National Car Parks Ltd.	2,950
Staff residential accommodation, Stoke Mandeville Hospital for Oxfordshire Regional Health Authority	1,034
130 Dwellings at Freshbrook, Swindon in partnership with Thamesdown Borough Council	2,533
Buildings A1 and A2, Crawley for Slough Estates Design & Construction Ltd.	1,834
60 Old Persons' units at Adams Road, Beckenham for the London Borough of Bromley	1,210
RC Frame at Epsom for Bredero Construction Ltd.	3,456
Office building, Ealing, London W5 for the Legal & General Assurance Society Ltd.	3,315
Supermarket and car park at Caterham for Waitrose Ltd.	2,626
Private hospital at Solihull for Seltahart Clinics (Solihull) Ltd.	1,342
85 Dwellings at Cippenham in partnership with Slough Borough Council	1,658
81 Dwellings at Chalgrove in partnership with South Oxfordshire District Council	1,474

Directors' Report
continued

	Value £000
Office and church development at Horsham for Royco Group Ltd.	1,246
Office building and ancillary works at Staines for Amethyst Properties Ltd.	2,520
Office building at Brighton for the National Mutual Life Assurance Society	7,359
274 Dwellings, Hargrave Park, London N19 for the London Borough of Islington	5,317
Office development, Coombe Cross, Croydon for Hill Samuel & Co. Ltd./Lovell Developments Ltd.	2,336
63 Dwellings at Banstead for the Gatwick Area Housing Development Association	1,214
Advance Industrial units, Warrington for Warrington & Runcorn Development Corporation	1,589
74 Dwellings, Bicester in partnership with Cherwell District Council	1,387
Private hospital, Southend for Seltahart Clinics (Southend) Ltd.	1,458
Housing at Melksham in partnership with West Wiltshire District Council	1,268

Developments
Turnover £34.1m (£26.2m)

RESIDENTIAL

Housing for sale has for a long time been one of the bulwarks of the Group's activities. Founded upon many years of success, the rate of growth of investment of people and money in this Division has been considerably accelerated over the last few years. The results for 1981 fully justify the confidence that this commitment expresses, as well as confirming the projections that were made in last year's Report.

Operating within an industry which is volatile and wide in the variance of performance and prospects, the Division has continued its consistent progress in the number of houses sold, the selling prices obtained and, despite the high interest rates, in subsequent profitability.

The two companies involved in the Group's sale housing activities, Lovell Homes and Rendell, have both responded positively to changes in conditions and the growing opportunities emerging from the demise of the traditional public housing sector.

Lovell Homes, primarily involved in the private residential markets in most of the southern areas of the country and the Midlands, increased the number of sales by 12% last year.

These results were achieved by continuation and refinement of their well tried policies – persuasive but restrained sales efforts, well located sites and soundly designed and built products.

The plan is to continue this growth in 1982. In preparation for this, the opening of new sites principally in Solihull, Cheltenham, Bideford, and nearer to London at Aylesbury, Ruislip, Surbiton, Weybridge and Cobham, will, in addition to the current locations, materially increase the number of sales outlets.

At Warmley, near Bristol, the development of the 190 acre site continues. The homes are designed for the lower and middle markets and sales demand is well up to our expectations.

The successful completion of contrasting developments involving luxury housing on the Church Commissioners' Hyde Park Estate at the top end of the market and flats for first time buyers at Colliers Wood, South London at the other, have provided the lead to expanding involvement in the urban areas of Greater London.

Additional sites have already been secured in Chiswick and Croydon and further developments incorporating both new building and conversion and renovation of old, are anticipated. Work in these urban areas of London and surroundings will be undertaken by a new company, Prospect Homes, a subsidiary of Lovell Homes.

Rendell, based in Devizes, continues its involvement in private housing for sale in the general Wiltshire and Hampshire area, but provides its main contribution to the Group's housing efforts in the specialised market of Partnership Housing, that is, developing housing for sale on publicly owned land, with priority given to people on the Local Authority housing lists. The company has been active and successful in this field for some years and with over 1,700 houses built and sold in this way to date and with approximately 500 projected for 1982 can justifiably claim to be amongst the leaders in this growing sector of the market.

Its continuing ability to build at very competitive costs, its understanding of first time buyers' needs and empathy with Local Authority housing objectives, are resulting both in healthy profits and many repeat orders.

In anticipation of continuing growth and market opportunities in this field, Rendell's expertise is being made available to other companies in the Group and a further scheme in Slough is being undertaken, with others under serious consideration in various parts of the country.

Further substantial land purchases, well in excess of annual consumption, have been made during the year.

The Group's housing companies are well positioned to take advantage of any increase in demand for home ownership that may emerge and to cope with the short term fluctuations that inevitably occur.

INDUSTRIAL AND COMMERCIAL

The Lovell development companies, Lovell Developments and Farrow Property Developments, did well to marginally increase their level of profit in the year, amidst increasingly difficult market conditions.

The over-supply of industrial space in most parts of the country had its effect on the Division's activities and resulted in a reduction in the number of projects undertaken. It is expected that this trend will continue through 1982.

While the sale of the industrial developments in Hendon and Chiswick were successfully completed the Division suffered slower lease-ups on projects finished during the year at Dagenham, Nuneaton and Harlow.

Directors' Report
continued

The office development in Windsor was recently successfully completed and let to a substantial American company. Negotiations are in progress for the letting of 45 Berkeley Square.

Further office developments are under way at Horsham and Croydon. The Croydon development represents an important expansion of our partnership relationships, where Hill Samuel & Co. Ltd. are in joint venture with Lovell Developments on the project. It is hoped, providing the scheme is successful, that further joint venture developments by the partnership will follow.

The negotiations with a major supermarket group on the East Grinstead site, including the design and construction of a supermarket, were aborted during last year. New negotiations are now well advanced with another group, where forward sale terms have been agreed in principle.

The Group's annual rental income has now been increased by the letting of Farrow House, which was reported last year, and has benefited from other Group property rental reviews which have taken place during the year.

Group net rental income is now running at over £1 million per annum.

The completion of the Cold Harbor Village Center, near Richmond, Virginia, USA, represents the first American holding added to our property portfolio. Although in the early years this development will show an operating deficit, the location and the quality of design and construction should ensure an asset of increasing value in the longer term.

Our venture into independent hospitals at Clare Park Clinic in partnership with Seltahart Holdings Limited has proved successful.

The Group has, in the course of the year, increased its commitment of time, effort and money in the belief that private medicine now offers a field of major business diversification.

Four further hospitals are being planned or developed in partnership with Seltahart and local medical consultants, with additional bank finance. The construction is being carried out by various Lovell Construction Division companies. In addition to Clare Park, an existing clinic at Leeds has been purchased and is to be extended. Two other hospitals are under construction at Solihull and Southend and will be opened in the course of this year, while a further hospital at Brentwood is expected to follow in 1983.

The recent CBI report on private medicine gives an indication and encouraging picture of the growth potential that exists in this field. There appears every reason to expect a useful contribution to the Group's profit in 1983 and beyond.

Plant Hire
Turnover £10.3m (£12.2m)

The deterioration in trading conditions reported last year has continued and worsened through 1981.

Despite the most intensive efforts, the Plant Division fell short by nearly 25% of its anticipated revenue for the year and even this figure was sustained only by an increase in intra-Group trading.

Strong management action was taken early in 1981, with the closing down of several marginal depots and the cutting back of the number of men employed and the hours worked. Capital expenditure has been curtailed and confined to the replacement only of vital elements of plant and equipment.

In a company where a large proportion of costs are fixed, re-organisation and redundancies could, in the short term, do little but prevent a substantial loss from becoming even greater.

In an industry which, given the likelihood of prolonged reduction in levels of activity, will remain over-supplied with plant for a number of years to come, only the fittest will survive. Lovell Plant Hire is now leaner and geared to the harsher market conditions and there is confidence that the losses of the last year will be substantially reduced in 1982.

Timber
Turnover £14.7m (£14.1m)

The Timber Division also made losses at a time when other companies in the timber importing and distribution industry have reported, almost without exception, trading conditions as difficult as any that have been experienced since the War.

A fall of 17% in softwood consumption in the UK in 1981, compared with an already depressed figure for 1980, left companies clawing for available business in order to maintain a sufficient share of a reducing market, inevitably at the expense of margins.

Whilst the main financial impact of these conditions hit the Division in the second half of the year, management were seeking remedies early in 1981. A reduction in the workforce by over 20% and other actions designed to increase operating efficiency and reduce costs had been implemented before the year had closed.

On the credit side, substantial de-stocking with rationalisation of stocks held, enabled the Division to maintain a positive cash flow in the year and the sales of panel products showed a substantial increase.

Crendon Timber Components took full advantage of the growth in the timber-framed housing market. Orders came equally from within the Group and from outside companies, but again, intense and unrealistic competition eroded margins to a level which could only make a contribution to overheads.

The D.I.Y. operations in East Anglia, after three years of relatively small but consistent losses, were, after careful examination and survey of future prospects, closed down and the leases of the properties sold.

The Division, as a whole, after many years of profit contribution to the Group, suffered major loss in the year. The climb back to acceptable profits will be slow but the management has been skilled in adapting the business to current market conditions. Timber has historically been a cyclical business; one day conditions will improve and the pendulum will swing the other way. The Board is confident that the Timber Division should then, once again, make a useful profit contribution.

Overseas

LOVELL/IMG HOLDINGS INC. (USA)

1981 has not been an easy year for Lovell/IMG. The high cost of money in the USA has had a severe impact on a company which is still young, relatively small and highly geared.

Directors' Report
continued

The development and sale pace on the residential land which Lovell/IMG owns has been slow, despite vigorous marketing and sale efforts. The sites located near Washington D.C., Richmond, Virginia and Fredericktowne, Maryland, as well as the Otterbein Townhouse project in the Inner Harbor development of Baltimore, are all well situated, but are all currently suffering from the general recession in the US housing market.

BritAm Construction, the Lovell/IMG subsidiary, on the other hand, had a successful year, completing on time and to budget Lafayette House, a 6 storey, 100 unit old people's building near Richmond. On the strength of the performance on this and earlier contracts, they have been successful in negotiating a further similar contract nearby and there are possibilities of others to follow during the course of 1982.

These setbacks in reaching an acceptable level of profitability are disappointing. There is much to show for Lovell/IMG's efforts in the US however. A good reputation, both in housing development and construction, some well positioned land holdings, a useful property investment in the Village Center, and the reversionary interest in the equity of the Garden Apartments project reported last year; are all evidence of considerable effort and progress. No significant advance towards profitability will be made, however, until interest rates drop to a level which enables buyers to purchase houses at an interest rate they can afford and Lovell/IMG to reduce the cost of development. The recovery seems unlikely to come soon enough to benefit the Group's 1982 results but growth prospects in the longer term remain promising.

LOVELL STEWART (NIGERIA) LTD.

In the course of the year, one or two small contracts have been carried out satisfactorily and the Nigerian directors have declared their intention of continuing the company's activities in Nigeria.

Lovell and Kyle-Stewart have supported this position, providing the cost of any technical services required from this country are properly reimbursed and that no further costs are incurred in the UK.

It remains the Company's policy to continue to reduce its involvement in Nigeria.

Directors

The names of the directors of the Company at the date of this report are set out on page 10.

Mr P H P Lovell and Mr A W Davies retired on 18th March 1981, Sir Donald Gosling resigned on 22nd September 1981.

Mr P L Davis was appointed to the Board on 1st October 1981, Mr J C Watts and Mr L E H Williams were appointed to the Board on 1st January 1982, they retire under the provisions of the Articles and, being eligible, offer themselves for re-election. Mr G E Segrove retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors, their wives and infant children were as follows:—

	Ordinary shares of 25p		
	8.1.82	30.9.81	30.9.80
Sir Peter Trench	34,764	34,764	34,764
Norman E Wakefield	60,500	55,500	45,000
P L Davis	17,348		
J G Laing	20,250	15,250	10,000
I D McIntyre	11,923	11,923	23,923
Geoffrey Segrove	83,000	83,000	95,000
B D Whymant-Morris	4,200	4,200	4,200

At the date of his appointment Mr P L Davis had an interest in 17,348 Ordinary shares.

	7% Cumulative Preference shares of £1		
	8.1.82	30.9.81	30.9.80
Geoffrey Segrove	308	308	308

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 8th January 1982 in excess of 5% of the issued Ordinary shares were 393,750 shares in the name of Imperial Chemicals Staff Pension Fund and 1,031,660 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 certain subsidiary companies and companies in which Sir Donald Gosling had a material interest.

The total turnover on these contracts was £4,481,000.

Fixed assets

Details of the fixed assets are given in note 13 to the accounts.

In the opinion of the directors the open market value of the freehold and long leasehold properties is in excess of the value shown in 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 1981 the weekly average number of direct employees in the Group was 3,275 (1980 3,329): their aggregate remuneration amounted to £19,572,945 (1980 £18,536,684).

Donations

Charitable donations amounting to £10,614 (1980 £9,376) 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.

Disabled persons

It is the policy of the Group that, within the limitations of our trading activities, disabled persons are employed on equal terms. When employees become disabled every effort is made to continue employment with re-training for alternative work, if necessary. Opportunities for career development are available to disabled persons.

By Order of the Board
H W Hicks
Secretary
4th February 1982

Report of the Auditors
to the members

We have examined the accounts of Y J Lovell (Holdings) Limited set out on pages 24-34. 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 1981 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 1981.

In our opinion the current cost accounts set out on pages 35-37 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No 16.

Ernst & Whinney

Ernst & Whinney, London
F L Rouse & Co, Beaconsfield
Chartered Accountants
21st January 1982

Consolidated Profit and Loss Account
for the year ended 30th September 1981

	notes	1981 £000	1980 £000
Turnover		137,109	138,970
Trading profit	2	3,307	2,901
Share of losses of associated companies		115	25
Profit before taxation		3,192	2,876
Taxation	4	251	201
Profit before extraordinary items		2,941	2,675
Extraordinary items	5	134	—
Profit attributable to the shareholders		2,807	2,675
Dividends for the year			
On Preference shares		14	14
On Ordinary shares			
—Interim		155	137
—Final (proposed)		396	344
		565	495
Profit retained		2,242	2,180
By: the company		1,612	1,327
subsidiary companies		745	867
associated companies		(115)	(14)

Earnings per Ordinary share	6	42.6p	38.7p

Consolidated Balance Sheet
as at 30th September 1981

		notes	1981 £000	1980 £000
Assets employed	Fixed assets	13	**21,467**	19,667
	Interests in associated companies	15	**1,675**	890
			23,142	20,557
	Current assets	16	**45,280**	43,306
			68,422	63,863
	Current liabilities	17	**35,123**	31,150
	Net assets employed		**33,299**	32,713
Financed by	Issued share capital	7	**1,994**	1,994
	Capital reserve	8	**11,126**	11,126
	Revenue reserve	9	**14,646**	12,404
			27,766	25,524
	8½% Debenture stock 1987/92	11	**1,533**	1,533
	Deferred payments		**—**	1,156
	Loans	12	**4,000**	4,500
			33,299	32,713

Directors
Peter Trench
J G Laing

21st January 1982

Net Assets per Ordinary share	**399.7p**	367.1p

Balance Sheet
as at 30th September 1981

		notes	1981 £000	1980 £000
Assets employed	Fixed assets	13	**18,755**	15,160
	Interests in subsidiary companies	14	**8,894**	9,989
	Interests in associated companies	15	**545**	519
			28,194	25,668
	Current assets	16	**271**	98
			28,465	25,766
	Current liabilities	17	**3,757**	2,686
	Net assets employed		**24,708**	23,080
Financed by	Issued share capital	7	**1,994**	1,994
	Capital reserve	8	**9,994**	9,128
	Revenue reserve	9	**7,187**	5,575
			19,175	16,697
	8½% Debenture stock 1987/92	11	**1,533**	1,533
	Deferred payments		**—**	850
	Loans	12	**4,000**	4,000
			24,708	23,080

Directors
Peter Trench
J G Laing

21st January 1982

Statement of Source and Application of Funds
for the year ended 30th September 1981

		1981 £000	1980 £000
Source of funds	Profit before taxation	**3,192**	2,876
	Depreciation	**328**	348
		3,520	3,224
	Deduct:		
	Extraordinary items	**134**	—
	Profit on sale of fixed assets	**92**	153
		226	153
		3,294	3,071
	Add:		
	Proceeds of sale of fixed assets	**286**	223
	Loans	**500**	4,500
		4,080	7,794
Application	Fixed asset purchases less transfers	**2,322**	605
	Loan repayment	**1,000**	—
	Dividend payments	**513**	443
	Taxation	**337**	163
		4,172	1,211
	Deferred payments	**1,156**	174
	Movement of working capital		
	Work in progress, developments and stocks	**2,999**	4,640
	Debtors including interest in associated companies and investments	**(256)**	1,796
	Creditors	**(3,036)**	(3,528)
		(293)	2,908
		5,035	4,293
Increase in net liquid funds		**(955)**	3,501
	Overdrafts	**(1,946)**	3,343
	Bills payable	**975**	175
	Bank balances and cash	**16**	(17)

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. Although this policy does not comply with the statement of standard accounting practice on accounting for depreciation (SSAP12), 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 reduction arising from timing differences. No provision is made where the reduction is expected to continue for the foreseeable future.

2 Trading profit

	1981 £000	1980 £000
The trading profit is stated after charging:		
Depreciation	**328**	348
Hiring and leasing of plant and vehicles	**2,995**	3,100
Directors' emoluments, including pension contributions	**181**	152
Payment to a former director in respect of cessation of employment with a subsidiary company	**11**	—
Auditors' remuneration	**94**	75
Debenture interest payable	**130**	130
Interest on bank overdrafts, bills and other short-term finance	**2,471**	2,689
and after crediting:		
Net rents receivable (external to group)	**939**	680
Profit on realisation of fixed assets	**92**	153

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

Remuneration band	**1981**	1980
	Number in each category	
Nil—£5,000	**2**	2
£5,001—£10,000	**1**	2
£10,001—£15,000	**1**	1
£15,001—£20,000	**1**	1
£20,001—£25,000	**2**	2
£25,001—£30,000	**1**	1
£40,001—£45,000	**1**	—
Remuneration of the Chairman	**£15,365**	£21,550
Remuneration of the highest paid director	**£43,557**	£29,341

No fees were paid

b) Higher paid employees

	1981	1980
	Number in each category	
£20,001—£25,000	**5**	3

4 Taxation

	1981	1980
	£000	£000
The charge for the year represents:—		
Advance corporation tax	**251**	212
Associated companies	—	(11)
	251	201

Because of stock relief and timing differences, no corporation tax liability arises on the profit for the year.

5 Extraordinary items

Extraordinary items comprise costs incurred and provision for costs and liabilities expected to arise on the cessation of certain activities.

6 Earnings per Ordinary share

Earnings per Ordinary share are based on the profit of the Group before extraordinary items £2,941,000 (1980 £2,675,000) less Preference dividends paid of £14,000 (1980 £14,000) divided by the number of Ordinary shares in issue 6,877,740.

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
	£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, earlier.

8 Capital reserve

	Group £000	Company £000
Balance at 1st October 1980	11,126	9,128
Property revaluation surplus on properties transferred from subsidiary companies	—	866
	11,126	9,994

The reserve includes £155,000 share premium.

9 Revenue reserve

	Group £000	Company £000
Balance at 1st October 1980	12,404	5,575
Profit for the year retained	2,242	1,612
	14,646	7,187

10 Deferred taxation

Taxation deferred and not provided in the accounts amounts to:—

	1981 £000	1980 £000
Capital allowances	**355**	373
Industrial buildings allowances	**858**	960
Property revaluation surpluses	**3,178**	3,180
	4,391	4,513
Less: unused tax reliefs	**3,671**	4,131
	720	382

Advance corporation tax of £1,248,000 (1980, £997,000) has been written off and is available against corporation tax on future trading profits.

11 Debenture stock

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

12 Loans

	Group 1981 £000	1980 £000	Company 1981 £000	1980 £000
Bank loans repayable in 1-5 years (£2,000,000 secured)	**4,000**	4,500	**4,000**	4,000

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

13 Fixed assets

	Freeholds	Long leaseholds	Short leaseholds	Plant, Vehicles, Equipment	Total
Group	£000	£000	£000	£000	£000
Cost or valuation 1st October 1980	17,334	1,245	177	2,584	21,340
Additions	1,878	2	25	417	2,322
Disposals	(85)	—	—	(360)	(445)
Cost or valuation 30th September 1981	19,127	1,247	202	2,641	23,217
Depreciation 1st October 1980	—	—	19	1,654	1,673
Provision for year	—	—	19	309	328
Disposals	—	—	—	(251)	(251)
Depreciation 30th September 1981	—	—	38	1,712	1,750
Net book value 30th September 1981	19,127	1,247	164	929	21,467
30th September 1980	17,334	1,245	158	930	19,667
At cost less depreciation	2,050	2	164	929	3,145
At professional valuation in 1980	17,077	1,245	—	—	18,322
	19,127	1,247	164	929	21,467
Properties held for investment	12,043	625	—		12,668
Properties occupied by the Group	7,084	622	164		7,870
	19,127	1,247	164		20,538

13 Fixed assets cont.

Company	Freeholds	Long leaseholds	Short leaseholds	Plant, Vehicles, Equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation 1st October 1980	13,743	1,245	177	88	15,253
Additions	151	2	25	—	178
Transfers from subsidiaries	3,439	—	—	—	3,439
Cost or valuation 30th September 1981	17,333	1,247	202	88	18,870
Depreciation 1st October 1980	—	—	19	74	93
Provision for the year	—	—	19	3	22
Depreciation 30th September 1981	—	—	38	77	115
Net book value 30th September 1981	17,333	1,247	164	11	18,755
30th September 1980	13,743	1,245	158	14	15,160

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 were valued with the benefit of vacant possession where they were in the occupation of any of the companies within the Lovell Group.

14 Interests in subsidiary companies

Details of principal subsidiary companies are noted on page 40

	1981	1980
	£000	£000
Shares at cost less amounts written off	**1,901**	2,833
Amounts due from subsidiaries	**15,971**	9,856
	17,872	12,689
Amounts due to subsidiaries	**8,978**	2,700
	8,894	9,989

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

15 Interests in associated companies

The principal associated companies are noted on page 40

	Group 1981 £000	1980 £000	Company 1981 £000	1980 £000
At cost less amounts written off:				
Shares	**441**	262	**3**	71
Amounts due	**1,343**	622	**542**	448
	1,784	884	**545**	519
Profit retained	**(109)**	6	**—**	—
	1,675	890	**545**	519

The results of overseas companies are based on unaudited accounts at 30th September 1981. In the opinion of the directors the value of the Group's interest in associated companies approximates to the amount stated above.

16 Current assets

	Group 1981 £000	1980 £000	Company 1981 £000	1980 £000
Contract work in progress and debtors	**86,194**	123,320	**—**	—
Less: Cash received on account of work in progress	**77,643**	111,537	**—**	—
	8,551	11,783	**—**	—
Developments and undeveloped land	**25,096**	17,771	**—**	—
Stocks	**5,047**	6,141	**—**	—
Trade debtors and debit balances	**6,445**	7,533	**218**	92
Listed investment at market value	**47**	—	**47**	—
Bank balances and cash	**94**	78	**6**	6
	45,280	43,306	**271**	98

Notes on the Accounts
continued

17 Current liabilities

	Group 1981 £000	1980 £000	Company 1981 £000	1980 £000
Bank overdrafts	**2,701**	2,097	**363**	1,147
Bank overdrafts—secured	**3,808**	2,466	**1,343**	165
Bills payable	**850**	1,825	**—**	—
Creditors and accrued charges	**25,033**	23,274	**1,416**	820
Advance payments on account of work in progress	**2,077**	800	**—**	—
Current taxation	**239**	325	**239**	210
Proposed Ordinary dividend	**396**	344	**396**	344
Minority interest in a subsidiary company	**19**	19	**—**	—
	35,123	31,150	**3,757**	2,686

The bank overdrafts and bills are payable within one year.

18 Capital commitments

	1981 £000	1980 £000
Estimated amount of capital expenditure contracted for but not provided in the accounts	**51**	15
Expenditure authorised but not contracted for	**160**	232

19 Contingent liabilities

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

	Subsidiaries	Other
Amount of guarantees	£13,002,778	£3,310,181
Amount outstanding at 30th September 1981	£3,627,843	£2,644,515

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 1981

	notes	1981 £000	1980 £000
Turnover		137,109	138,970
Profit before interest and taxation as historical cost accounts		5,793	5,695
Deduct current cost adjustments			
Depreciation of plant	2	142	157
Fixed assets disposal	2	82	52
Cost of sales adjustment	3	158	457
Monetary working capital adjustment	3	(43)	(72)
		339	594
Current cost operating profit		5,454	5,101
Gearing adjustment	4	(112)	(199)
Interest		2,601	2,819
		2,489	2,620
Current cost profit before taxation		2,965	2,481
Taxation		251	201
Current cost profit before extraordinary items		2,714	2,280
Extraordinary items		134	—
Current cost profit attributable to shareholders		2,580	2,280
Dividends		565	495
Current cost profit retained		2,015	1,785
Current cost earnings per ordinary share		39.3p	32.9p

	1981	1980
Capital and reserves		
Retained current cost profit of the year	2,015	1,785
Movement on current cost reserve	107	(216)
	2,122	1,569
At the beginning of the year	26,019	24,450
At the end of the year	28,141	26,019

Current Cost Consolidated Balance Sheet
at 30th September 1981

		notes	1981 £000	1980 £000
Assets employed	Fixed assets	2	21,738	19,981
	Interests in associated companies		1,675	890
	Current assets	5	45,384	43,487
			68,797	64,358
	Current liabilities		35,123	31,150
	Net assets employed		33,674	33,208

		1981 £000	1980 £000
Financed by	Capital and reserves	20,583	18,568
	Current cost reserve	7,558	7,451
		28,141	26,019
	8½% Debenture stock	1,533	1,533
	Deferred payments	—	1,156
	Loans	4,000	4,500
		33,674	33,208

		1981 £000	1980 £000
Current cost reserve	Movement on current cost reserve:—		
	Excess of current value over book value		
	Land and buildings	—	1,644
	Plant etc.	181	78
	Developments and stocks	81	(1,667)
		262	55
	Monetary working capital adjustment	(43)	(72)
	Gearing adjustment	(112)	(199)
		(155)	(271)
		107	(216)

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:—

	1981	1980
	£000	£000
Land and buildings	**20,538**	18,737
Plant etc.	**1,200**	1,244
	21,738	19,981

Land and buildings are as stated in the historical cost accounts and reflect the professional revaluation at 30th September 1980.

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 and monetary operating assets and liabilities.
It is considered impracticable to calculate a meaningful adjustment in relation to developments and accordingly the amounts in respect thereof remain at their historical values.

4 Gearing adjustment

This adjustment reflects the proportion of the current cost adjustments financed by net borrowing. The net borrowing comprises:– debenture stock, deferred payments, loans, overdrafts and bills.

5 Current assets

Stocks are included at estimates of their current value to the business.

6 Corresponding amounts

The corresponding amounts have been restated to show developments at their historical values but 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
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

1972 £000	1973 £000	1974 £000	1975 £000	1976 £000	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
2,356	3,087	3,402	3,635	4,444	8,318△	9,044	13,610	19,667†	21,467
1,330	946	1,212	1,058	715	195	6	457	890	1,675
1,442	1,842	2,104	3,792	4,846	6,682	7,492	6,270	12,156	10,157
5,128	5,875	6,718	8,485	10,005	15,195	16,542	20,337	32,713	33,299
1,179	1,474	1,474	1,503	1,719	1,719	1,719	1,719	1,719	1,719
1,847	2,134	2,483	2,991	6,256§	11,446△	12,857	15,480	23,530†	25,772
275	275	275	275	275	275	275	275	275	275
227	392	886	2,132	222	222	158	—	—	—
—	—	—	—	—	—	—	1,330	5,656	4,000
1,600	1,600	1,600	1,584	1,533	1,533	1,533	1,533	1,533	1,533
5,128	5,875	6,718	8,485	10,005	15,195	16,542	20,337	32,713	33,299
23,806	27,529	28,940	33,876	40,309	45,688	53,632	94,637	127,307	126,260
2,907	5,017	7,005	5,639	7,028	8,423	9,038	10,371	11,663	10,849
26,713	32,546	35,945	39,515	47,337	54,111	62,670	105,008	138,970	137,109
953	1,527	1,399	1,498	1,656	1,836	2,059	2,745	3,006	3,322
829	1,403	1,263	1,362	1,525	1,706	1,929	2,615	2,876	3,192
332	629	686	713	145§	146	205	50	201	251
497	774	577	649	1,380	1,560	1,724	2,565	2,675	2,941
—	—	73	—	—	—	—	330	—	134
497	774	504	649	1,380	1,560	1,724	2,235	2,675	2,807
103	122	131	141	253	282	313	409	495	565
65	4	—	—	—	—	—	—	—	—
329	648	373	508	1,127	1,278	1,411	1,826	2,180	2,242
7.9p*	12.5p*	9.4p	10.4p	21.9p§	22.5p	24.9p	37.1p	38.7p	42.6p
1.53p*	1.83p*	1.98p	2.11p	3.48p	3.89p	4.35p	5.75p	7.0p	8.0p
19.4	27.7	22.2	19.7	17.9	14.6△	13.0	14.9	11.3†	10.1
51.3p	61.2p	67.1p	74.7p	116.0p§	191.4p△	212.0p	250.1p	367.1p†	399.7p

1972 £000	1973 £000	1974 £000	1975 £000	1976 £000	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
2,356	3,087	3,402	3,635	4,444	8,318Δ	9,044	13,610	19,667†	21,467
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1,179	1,474	1,474	1,503	1,719	1,719	1,719	1,719	1,719	1,719
1,847	2,134	2,483	2,991	6,256§	11,446Δ	12,857	15,480	23,530†	25,772
275	275	275	275	275	275	275	275	275	275
227	392	886	2,132	222	222	158	—	—	—
—	—	—	—	—	—	—	1,330	5,656	4,000
1,600	1,600	1,600	1,584	1,533	1,533	1,533	1,533	1,533	1,533
5,128	5,875	6,718	8,485	10,005	15,195	16,542	20,337	32,713	33,299
23,806	27,529	28,940	33,876	40,309	45,688	53,632	94,637	127,307	126,260
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—	—	73	—	—	—	—	330	—	134
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65	4	—	—	—	—	—	—	—	—
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7.9p*	12.5p*	9.4p	10.4p	21.9p§	22.5p	24.9p	37.1p	38.7p	42.6p
1.53p*	1.83p*	1.98p	2.11p	3.48p	3.89p	4.35p	5.75p	7.0p	8.0p
19.4	27.7	22.2	19.7	17.9	14.6Δ	13.0	14.9	11.3†	10.1
51.3p	61.2p	67.1p	74.7p	116.0p§	191.4pΔ	212.0p	250.1p	367.1p†	399.7p

Principal Subsidiary and Associated Companies

Subsidiary companies

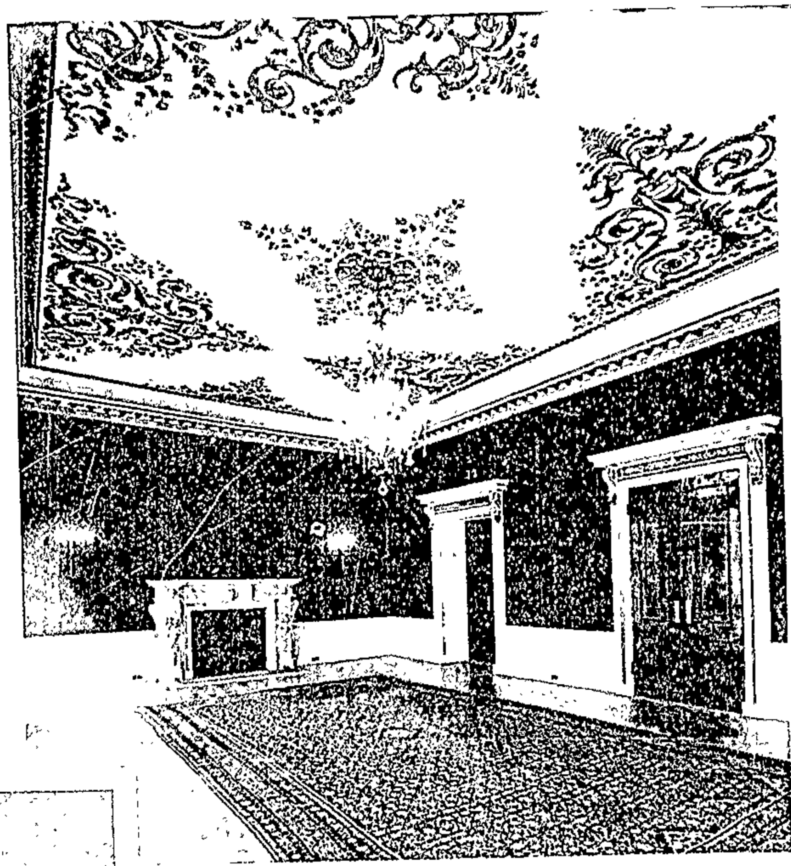
Construction	*Lovell Construction Ltd Y J Lovell (London)Ltd Walter Lilly & Co Ltd Farrow Construction Ltd Y J Lovell (Southern) Ltd Y J Lovell (Building) Ltd F Rendell & Sons Ltd Renelec Ltd Y J Lovell (Midland) Ltd Farrow Construction (Northern) Ltd Lovell Specialist Treatments Ltd Lovell Plant Hire Ltd *Lovell Construction Services Ltd
Timber	*James Davies (Holdings) Ltd James Davies (Timber) Ltd Pattrick & Thompsons Ltd Crendon Timber Components Ltd Frank Aldridge (Norfolk) Ltd Davies Imports Ltd
Residential development	*Lovell Homes Ltd Lovell Homes Western Ltd Lovell Homes Midland Ltd Lovell Homes Southern Ltd Prospect Homes Ltd Lovell Housing Ltd
Industrial and commercial property development	*Lovell Developments Ltd Farrow Property Developments Ltd Bowegate Properties Ltd
Overseas	*Y J Lovell (Overseas) Ltd Y J Lovell (America) Inc (USA)

Associated companies

			Holding
UK	*Lovell Estates Ltd		49%
	Seltahart Clinics (Clare Park) Ltd		39%
	Seltahart Clinics (Solihull) Ltd		49%
Overseas	Lovell/IMG Holdings Inc (USA)	Common stock	50%
		Preferred stock	100%
	BritAm Construction Management Ltd (USA)		50%
	Lovell Stewart (Nigeria) Ltd (Nigeria)		20%

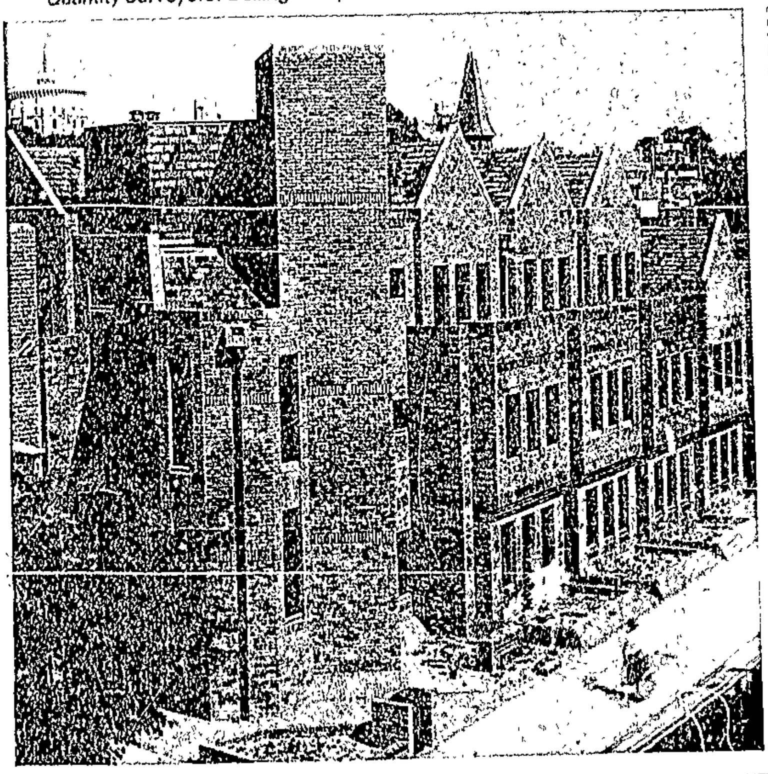
Except where stated the companies operate in the UK and are incorporated and registered in England. There is a minority interest in the preference share capital of James Davies (Timber) Ltd, otherwise the subsidiaries are all wholly owned.

The shares of the companies marked * are held by Y J Lovell (Holdings) Ltd, all others are held by subsidiaries.

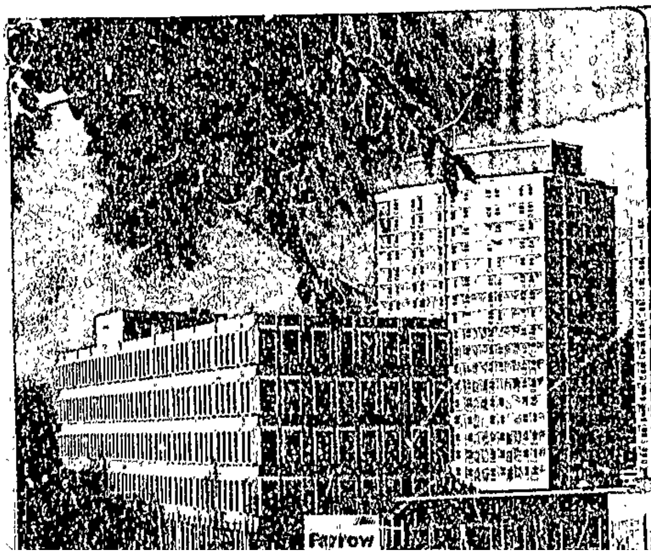


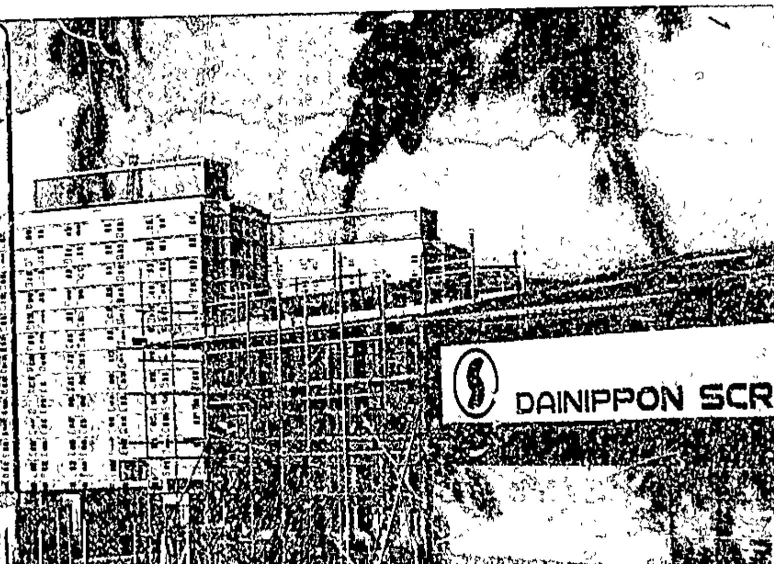
A scheme of high-quality refurbishment and new construction, at Berkeley Square in London's Mayfair, provides some 1500 m² (16,150 ft²) prestige office accommodation. The work was carried out by Lilly under a management fee contract for the joint developers, Lovell Developments and University Superannuation Scheme. *Architects:* Hamilton Associates; *Engineers:* Lovell Construction Services; *Quantity Surveyors:* Gardiner & Theobald.

Completed during the course of the year by Lovell Southern for Lovell Developments, this building provides some 1100 m² (11,850 ft²) of high class office accommodation and four luxury flats near the centre of Windsor. The development has been successfully let to a single tenant. *Architects:* Hutchison Locke & Monk; *Consulting Engineers:* Lovell Construction Services; *Quantity Surveyors:* Bellinger Copcutt Griffiths & Partners.



During the [illegible] Farrow Construction moved to new office accommodation at Hendon, and Farrow House was leased to the Metropolitan Police. The former Red Chequer Plant depot, adjacent to Farrow House, was sold to Dainippon Screen, who has since engaged Farrow Construction as contractors for new offices on the site.





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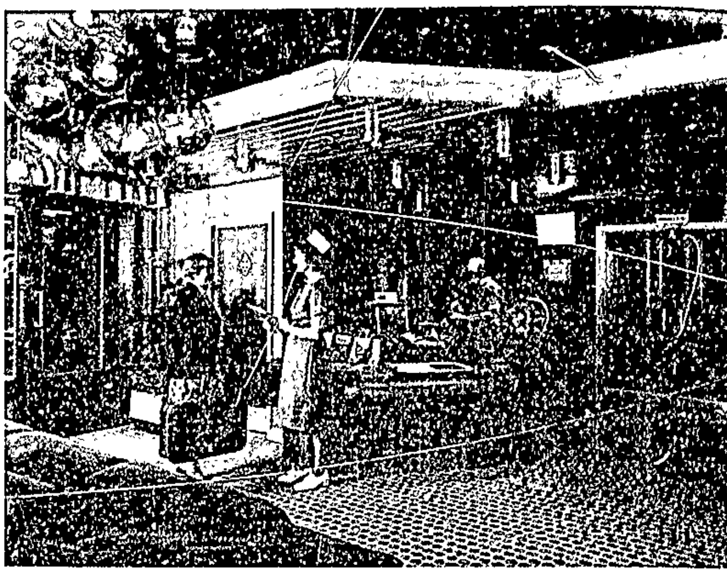
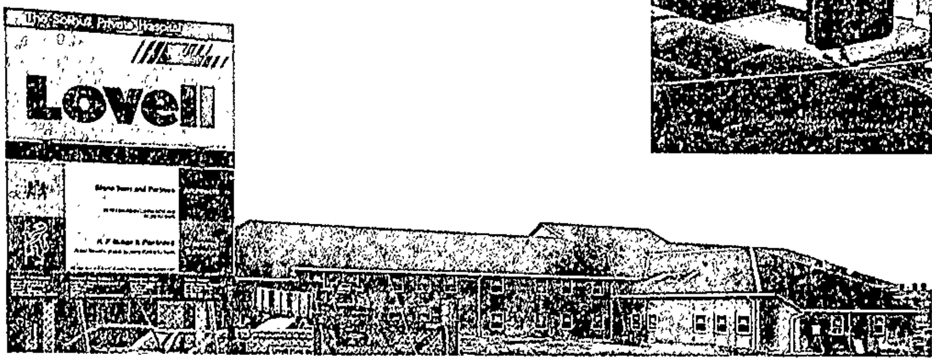
Following the successful opening of Clare Park Clinic, the Group continues to extend its interests in private health care. In partnership with Seltahart, Lovell bought the already operational Fulford Grange Private Hospital near Leeds for extension. Meanwhile, construction work by Lovell Midland is proceeding on Solihull *(below)* and Southend private hospitals.

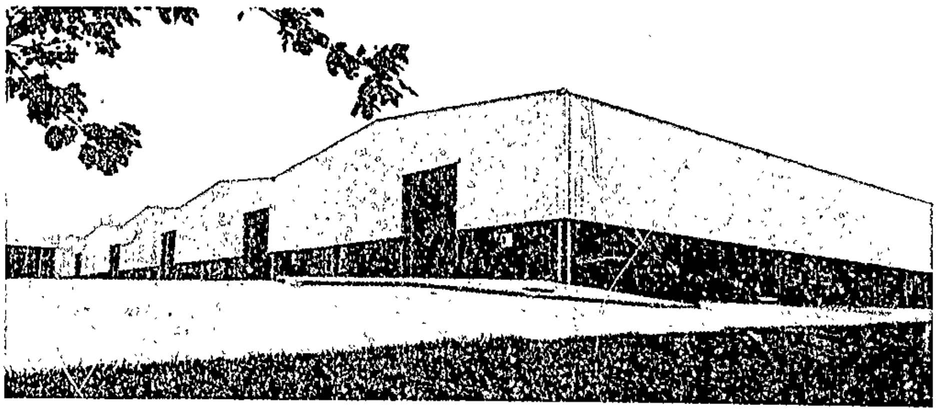


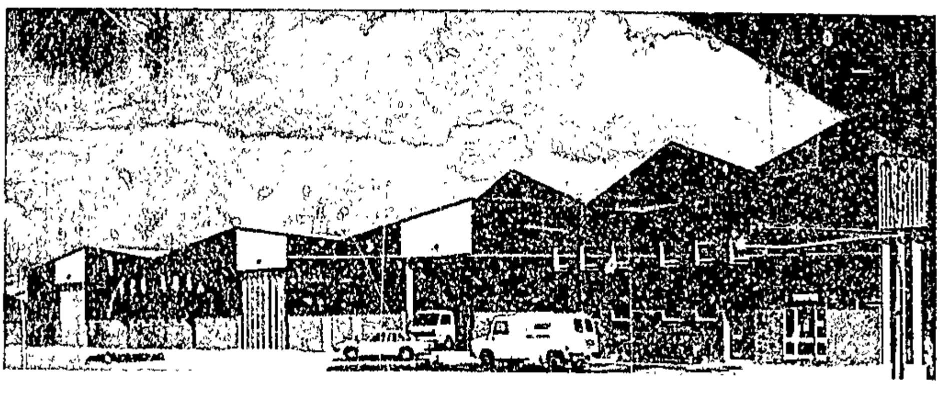


The three industrial developments *(below)* are further examples of the property companies' activities. At Harlow, Farrow Developments scheme providing 3,150 m² (34,650 ft²) in five factory units, was forward sold to Sun Alliance. *Design Architects:* Jolly & Millard; *Supervising Architects:* Edward J Payne & Associates; *Structural Engineers:* Pearce Edmunds & Partners; *Letting Agents:* Richard Ellis Bowdens.

The joint development at Nuneaton has also been sold to Sun Alliance and provides some 8,700 m² (94,000 ft²) of warehousing and factories. The scheme was carried out for Lovell Developments/Centros Property by Lovell Midland. *Architects:* Bovingdon, Fowler & McBride; *Engineers:* Gordon Brown & Partne *Quantity Surveyors:* Kinsler & Partners; *Lettir Agents:* Edwards Bigwood & Bewley and Hill Parker May & Rowden and Bruce & Co.

The 11,300 m² (122,000 ft²) project at Dagenha built by Farrow Construction for Lovell Developments in partnership with Grosvenor Square Properties was purchased by the Grea Manchester Council Superannuation Fund. *Architects & Engineers:* Lovell Construction Services; *Quantity Surveyors:* V J Mendoza & Partners, *Letting Agents:* King & Co and Fuller, Peiser.





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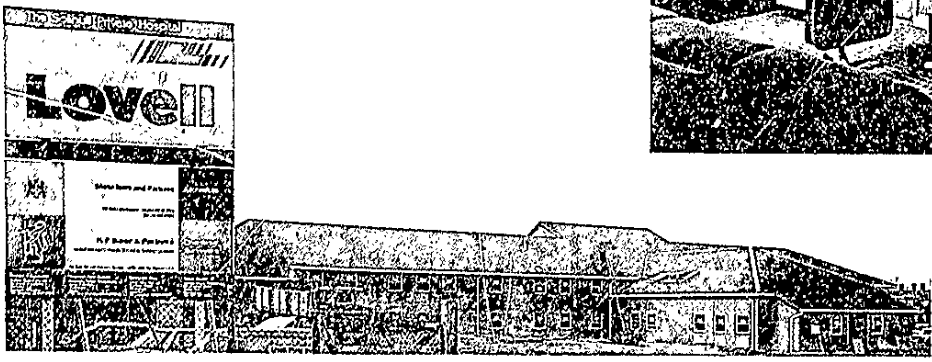

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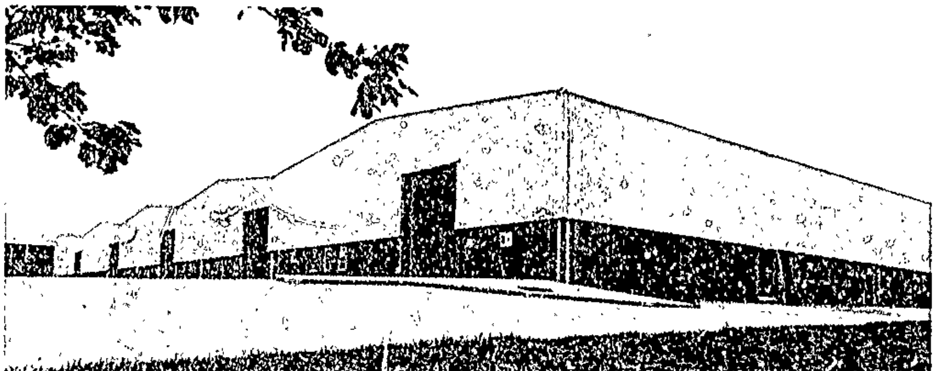
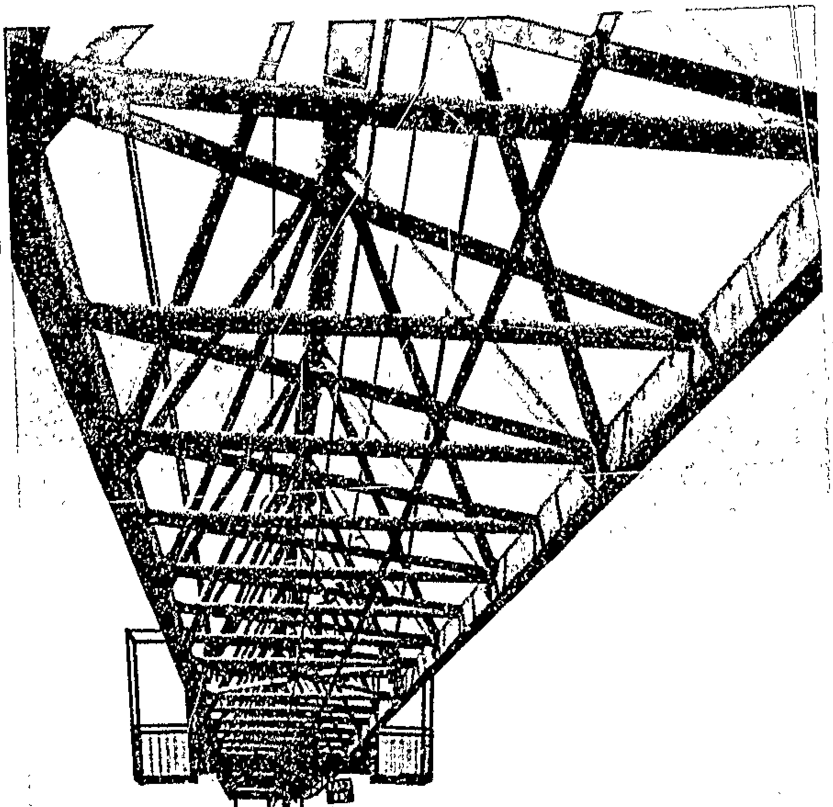


[illegible] in spite of the fiercely [illegible] however, our policy of providing well maintained [illegible] plant backed by first-class field service has been pursued. A wide range of mechanical and non-mechanical plant is stocked for internal and external hire and in addition Lovell Plant operates a small group of hire shops for the smaller industrial and private hirer.



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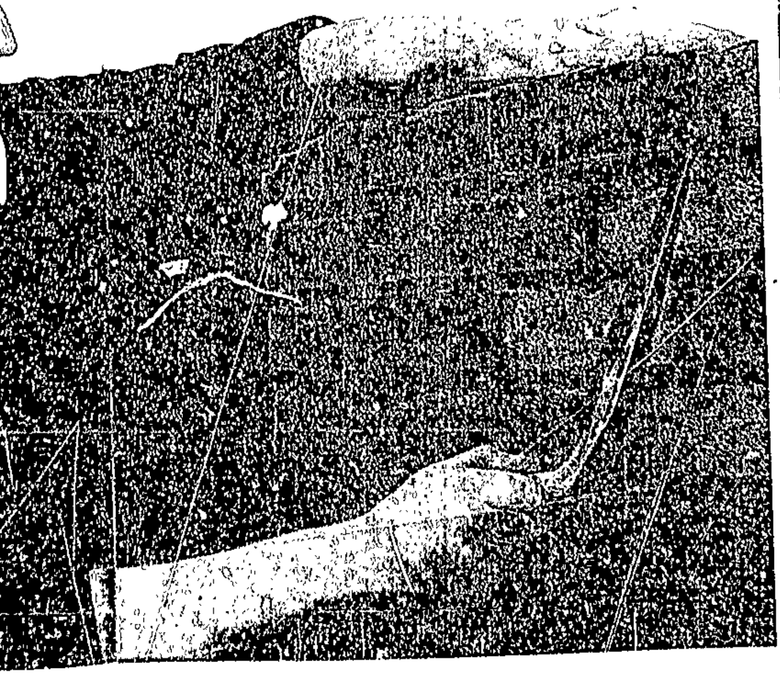
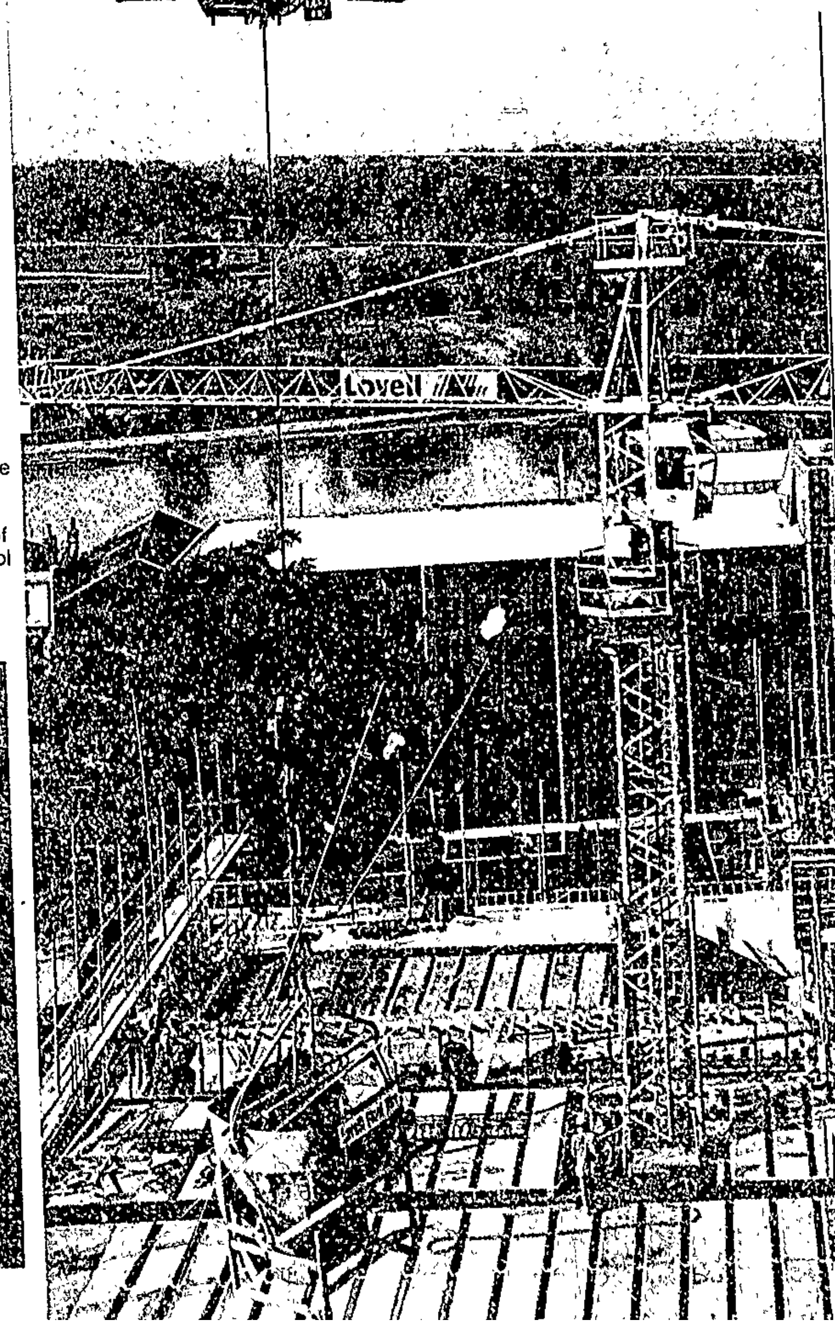
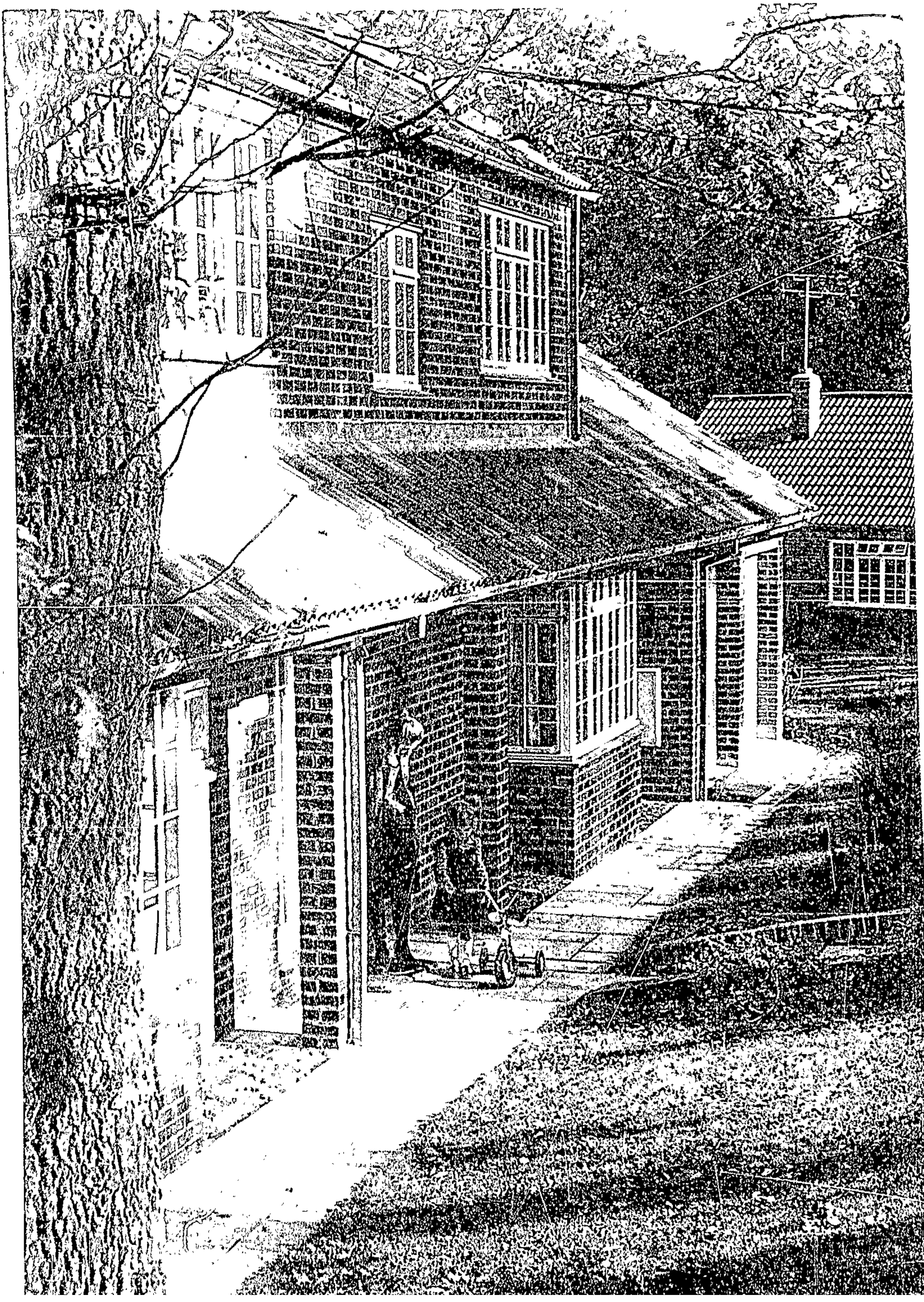
Training continues to play an important part in Group activity and policy. Two innovative schemes, in Bedfordshire and Wiltshire, gave the apprentices the total responsibility of working as teams to plan and build a house and bungalow. The concept brought positive comment from both national and trade press, while a training film of one of the projects will be used for apprentice inductions and school lectures.

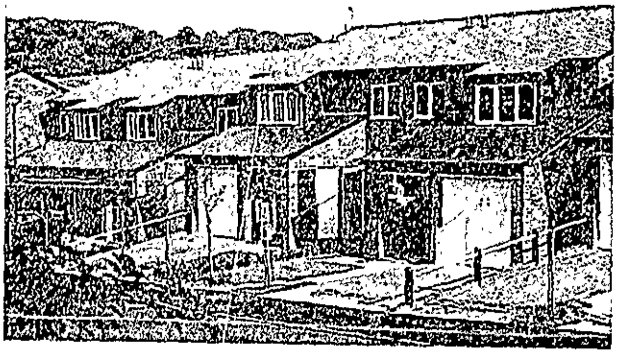


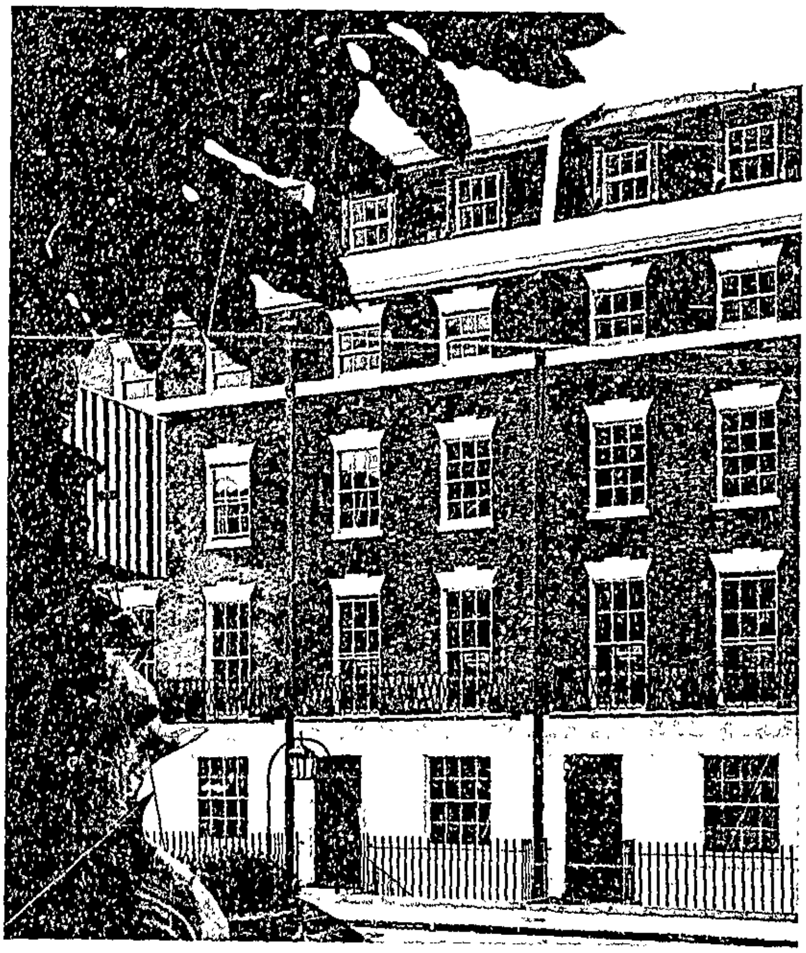




[illegible] Another at Bideford, North Devon, is a large scheme by Lovell Homes Western which will provide houses from two bedroom bungalows to four bedroom houses

Two smaller schemes *(below)* are at Great Missenden, Buckinghamshire, where Lovell Homes Southern produced nine three- and four-bedroom houses in a quiet close, and at Sutton Benger, Wiltshire, where stone was an attractive feature of these detached houses built by Rendell, ensuring a happy blend with the village atmosphere.

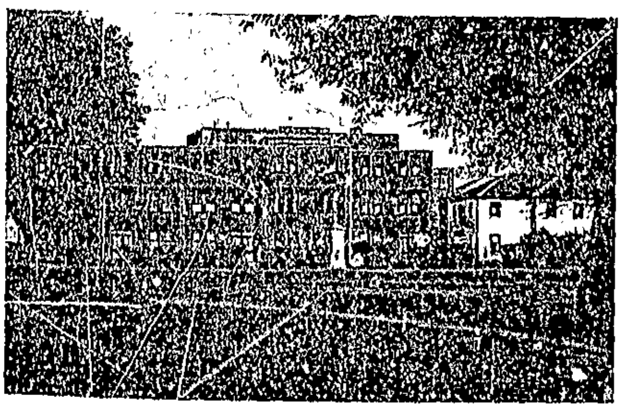




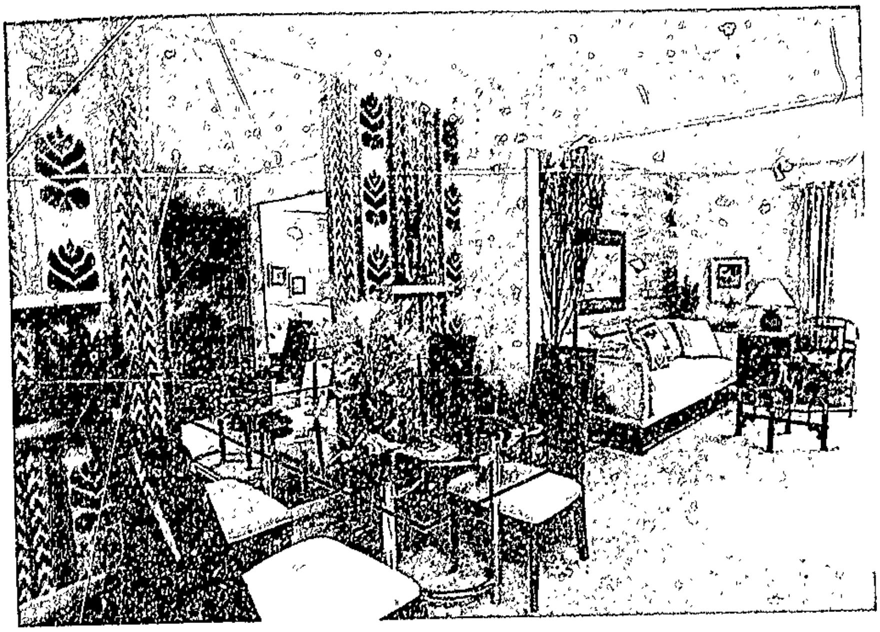
The prestige development at Radnor Place, Hyde Park, *(above)* marked a further expansion in housing activity, representing the first central London residential scheme for Lovell. The project comprises nine new apartments and a penthouse, together with the refurbishment of an adjoining Georgian style house

At the opposite end of the market, 21 one-bedroom flats at Colliers Wood *(left)* were planned to appeal to the first time buyer

Further schemes in London are now in hand through Prospect Homes, which has been set up to cover this geographical area

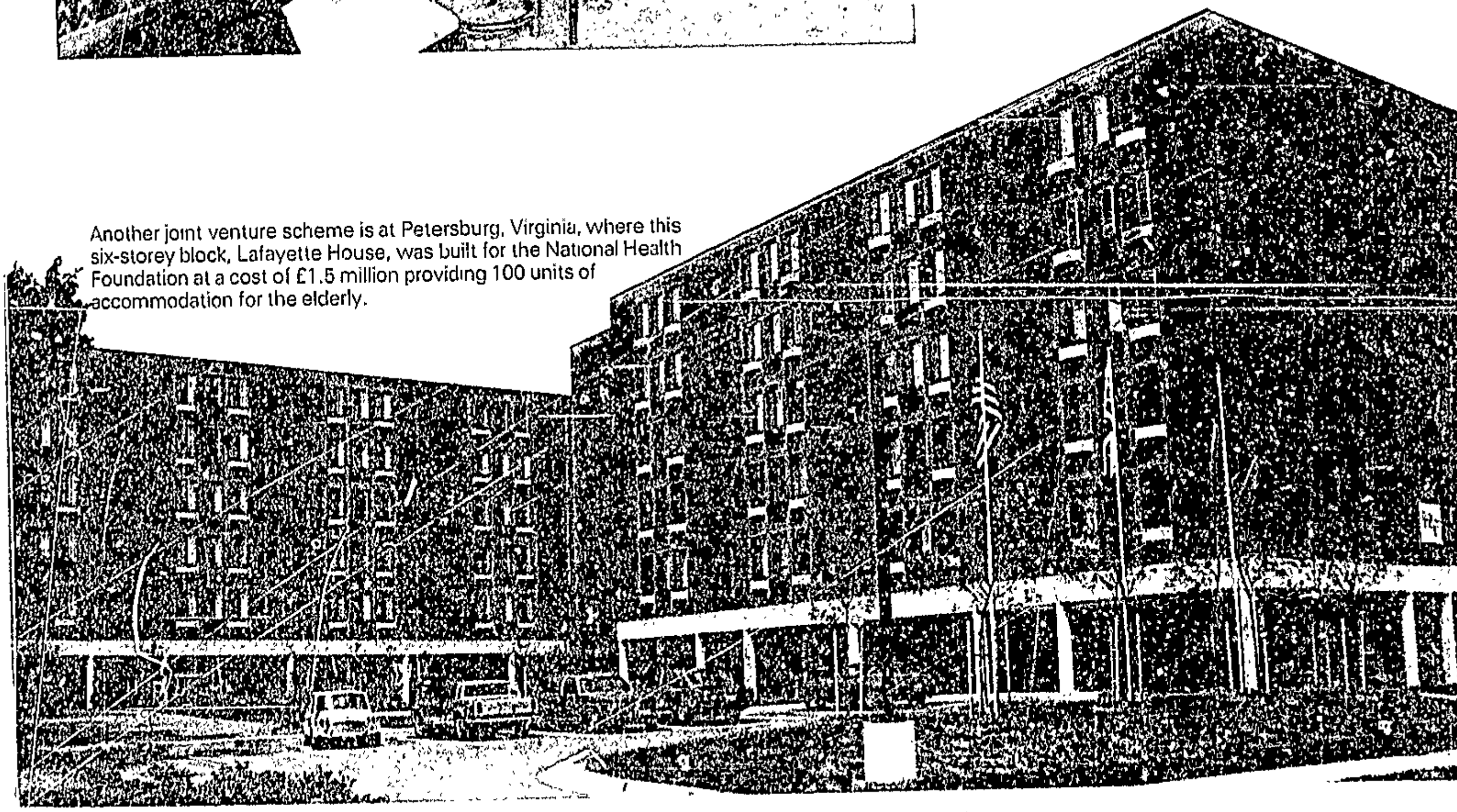


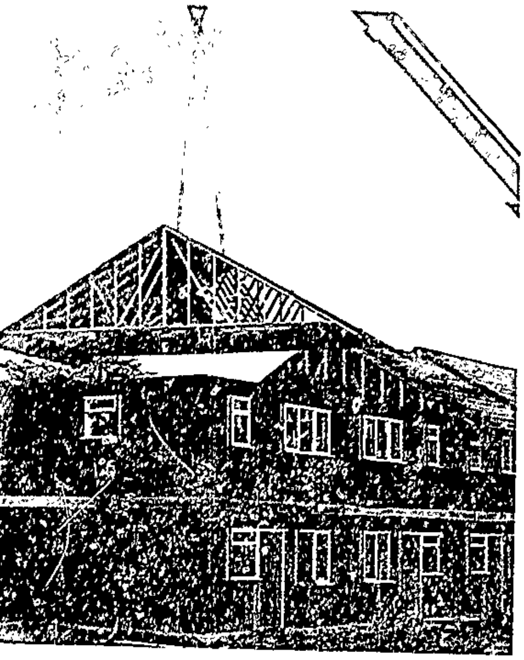
Opposite page
The luxury houses set in a pleasant wooded site at Studham, Bedfordshire, by Lovell Homes Southern, proved an attractive proposition to house seekers

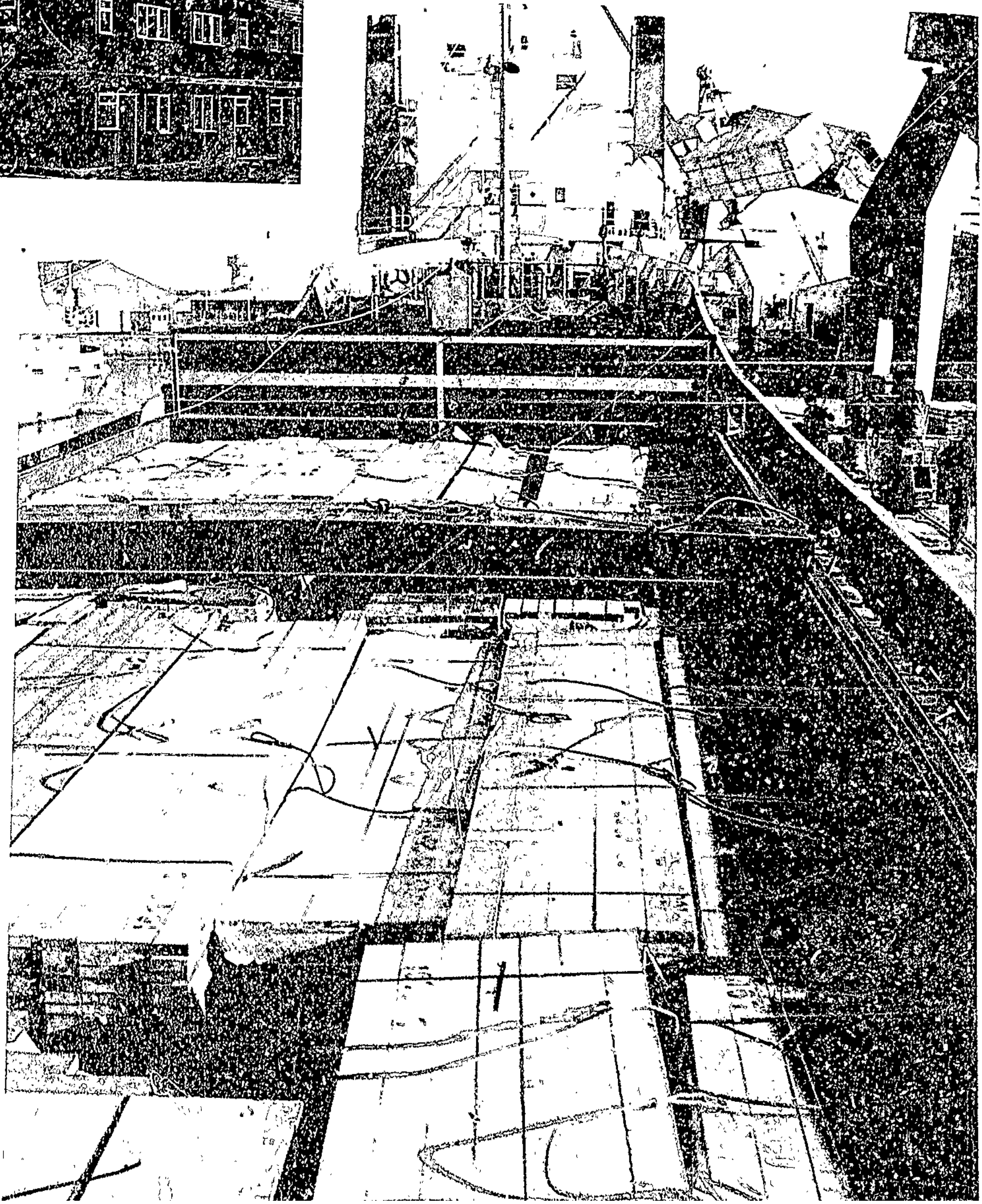


[illegible] the 111 units [illegible] clusters on the 23 [illegible]

Another joint venture scheme is at Petersburg, Virginia, where this six-storey block, Lafayette House, was built for the National Health Foundation at a cost of £1.5 million providing 100 units of accommodation for the elderly.







NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICE RECORD

Companies House regrets that the microfiche record for this company contain some documents which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.