

Bovis Limited

Directors' report and financial statements

31 December 1996

Registered number 231889



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Bovis Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The company's principal activity continued to be that of a parent undertaking.

Business review

The results for the year are set out in the attached profit and loss account.

Proposed dividend

The directors do not recommend the payment of a final dividend (1995: £nil). No interim dividends were paid during the year (1995: £4,975,000).

Directors and directors' interests

The directors who held office during the year were as follows:

Sir Frank Lampl (Chairman)
PL Warner (resigned 30 June 1996)
BA Winham
JN Sterling
RCD Reames
PA Aluisi
CJ Spackman (appointed 1 August 1996)
PG Morris (resigned 30 September 1996)

The interests in the stock of The Peninsular and Oriental Steam Navigation Company of Sir Frank Lampl and Mr PL Warner are shown in the financial statements of that company.

Directors' report

Directors and directors' interests (continued)

The beneficial interests of the other directors holding office at the end of the year in the stock of The Peninsular and Oriental Steam Navigation Company as at the beginning and end of the year and as recorded in the register of directors' share interests were as follows:

	Deferred stockholding at 31 December 1996	Deferred stockholding at 1 January 1996 (or date of appointment if later)	6.3% convertible loan stock at 31 December 1996	6.3% convertible loan stock at 1 January 1996 (or date of appointment if later)	Deferred stockholding under option at 31 December 1996	Deferred stockholding under option at 1 January 1996 (or date of appointment if later)
	No.	No.	No.	No.	No.	No.
BA Winham	88,049	88,049	21,611	21,611	-	-
JN Sterling	-	-	-	-	54,391	54,391
RCD Reames	-	-	-	-	54,907	54,907
PA Aluisi	-	-	-	-	26,040	19,540
CJ Spackman	21,626	16,083	-	-	39,824	48,491

The movement in deferred stockholding under option arises from options granted/(exercised) during the year. None of the directors had any interest in the share capital of any other group undertaking.

Employees

Disabled persons

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. The company also uses its best endeavours to provide continuing employment for employees who are disabled whilst they are employed by the company and, where appropriate, provides facilities for training and retraining.

Political and charitable contributions

The company made no political contributions during the year (1995: *£nil*). Donations to UK charities amounted to £9,385 (1995: £5,100).

By order of the board

RCD Reames
 Director

R. C. D. Reames

Liscartan House
 127 Sloane Street
 London SW1X 9BA

18th August 1997

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Bovis Limited

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

9th September 1997

Profit and loss account

for the year ended 31 December 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	2	1,350	3,298
Cost of sales		(4,293)	(3,960)
Operating loss		(2,943)	(662)
Income from shares in group undertakings	6	7,230	7,259
Amounts written off investments	12	(9,480)	(10,250)
Other interest receivable and similar income	7	1,439	2,492
Interest payable and similar charges	8	(179)	(94)
Loss on ordinary activities before taxation	2-5	(3,933)	(1,255)
Tax on loss on ordinary activities	9	270	(585)
Loss on ordinary activities after taxation		(3,663)	(1,840)
Dividends paid on shares	10	-	(4,975)
Retained loss for the financial year		(3,663)	(6,815)
Retained profit brought forward		34,733	41,548
Retained profit carried forward		31,070	34,733

There were no recognised gains or losses other than those shown above.

The notes on pages 7 to 19 form part of these financial statements.

Balance sheet

at 31 December 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	11	348	335
Investments	12	41,191	41,262
		<hr/>	<hr/>
		41,539	41,597
Current assets			
Debtors	14	73,710	82,228
Cash at bank and in hand		5,928	832
		<hr/>	<hr/>
		79,638	83,060
Creditors: amounts falling due within one year	15	(52,862)	(52,688)
		<hr/>	<hr/>
Net current assets		26,776	30,372
		<hr/>	<hr/>
Total assets less current liabilities		68,315	71,969
Provision for liabilities and charges	16	(9)	-
		<hr/>	<hr/>
Net assets		68,306	71,969
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	16,743	16,743
Share premium account	18	20,439	20,439
Revaluation reserve	18	54	54
Profit and loss account	18	31,070	34,733
		<hr/>	<hr/>
Equity shareholders' funds	19	68,306	71,969
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18th August 1997 and were signed on its behalf by:

Sir Frank Lampl
Chairman



The notes on pages 7 to 19 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets.

The company is a wholly owned subsidiary undertaking of another company incorporated in Great Britain and therefore consolidated financial statements have not been prepared as permitted by Section 228 of the Companies Act 1985.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking and the ultimate parent undertaking, which is incorporated in Great Britain, prepares a consolidated cash flow statement.

The related party transactions note included in the consolidated financial statements of the ultimate parent undertaking complies with the conditions of Financial Reporting Standard No 8 (FRS8) 'Related Party Transactions'. The company is therefore exempt under FRS8 from the requirement to prepare a separate note.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	33% on a reducing balance basis
Fixtures and fittings	-	between 10% and 25% on a straight line basis
Office machinery and equipment	-	between 20% and 25% on a straight line basis

Freehold properties are included in fixed assets at their latest valuations plus subsequent additions at cost, and surpluses and deficits on valuation are included in the revaluation reserve. Properties are valued triennially by the chief surveyor of The Peninsular and Oriental Steam Navigation Company. Profits and losses on sale of these properties are calculated by reference to their net carrying amount.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation - (continued)

Depreciation or amortisation is not provided in respect of freehold properties. This treatment may be a departure from the Companies Act 1985 concerning the depreciation of fixed assets. However, such properties are not held for consumption but for investment and the directors consider systematic annual depreciation would be inappropriate and that this policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The book value of leasehold property with less than 21 years to the termination of the lease is written off over the remainder of the period on a straight line basis.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leased assets

Rentals under operating leases are charged or credited to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates a pension through a P&O Group scheme providing benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account on a systematic basis over the periods benefiting from the services of employees.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual asset or liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from sales to third parties and management charges receivable from subsidiary undertakings.

2 Segmental information

The company is a parent undertaking in the United Kingdom and accordingly all of its operations are in that one segment.

Notes (continued)

3 Profit/(loss) on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration and expenses for:		
Audit work	84	76
Non audit work	29	66
Depreciation of tangible fixed assets	103	84
Rentals payable under operating leases:		
Land and buildings	439	452
Management charge payable to ultimate parent undertaking in respect of the services of directors	291	294
	<u> </u>	<u> </u>

4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
As directors	386	413
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £137,480 (1995: £125,185).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

			Number of directors	
			1996	1995
£0	-	£ 5,000	3	4
£70,001	-	£75,000	1	-
£85,001	-	£90,000	-	2
£90,001	-	£95,000	1	1
£95,001	-	£100,000	1	-
£110,001	-	£115,000	1	-
£125,001	-	£130,000	-	1
£135,001	-	£140,000	1	-

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	1996	1995
Management	5	5
Operational	17	15
	<hr/>	<hr/>
	22	20
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	827	690
Group profit share scheme	1	13
Social security costs	78	52
Other pension costs	38	48
	<hr/>	<hr/>
	944	803
	<hr/>	<hr/>

6 Income from shares in group undertakings

	1996	1995
	£000	£000
Dividends from subsidiary undertakings	7,230	7,259
	<hr/>	<hr/>

Notes (continued)

7 Other interest receivable and similar income

	1996 £000	1995 £000
Receivable from parent and fellow subsidiary undertakings	680	2,170
Receivable from associated undertaking	391	119
Receivable from subsidiary undertakings	-	16
Bank interest	368	187
	<hr/> 1,439 <hr/>	<hr/> 2,492 <hr/>

8 Interest payable and similar charges

	1996 £000	1995 £000
Payable to related party	178	94
Other	1	-
	<hr/> 179 <hr/>	<hr/> 94 <hr/>

9 Taxation

	1996 £000	1995 £000
UK corporation tax credit/(charge) at 33%(1995: 33%) on the loss for the year on ordinary activities	291	(973)
Deferred taxation (charge)/credit	(21)	388
UK double taxation relief	28	-
	<hr/> 298 <hr/>	<hr/> (585) <hr/>
Overseas tax (charge)	(28)	-
	<hr/> 270 <hr/>	<hr/> (585) <hr/>

Corporation tax credit represents the amount receivable by the company in respect of the tax losses surrendered to other companies in the group.

Notes (continued)

10 Dividends

	1996 £000	1995 £000
Dividends paid	-	4,975

11 Tangible fixed assets

	Land and buildings Freehold	Short leasehold	Motor vehicles	Fixtures fittings and equipment	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At beginning of year	90	197	113	622	1,022
Additions	-	-	47	73	120
Disposals	-	-	(28)	-	(28)
At end of year	90	197	132	695	1,114
<i>Depreciation and diminution in value</i>					
At beginning of year	-	185	47	455	687
Charge for year	-	2	28	73	103
On disposals	-	-	(24)	-	(24)
At end of year	-	187	51	528	766
<i>Net book value</i>					
At 31 December 1996	90	10	81	167	348
At 31 December 1995	90	12	66	167	335

During the year ended 31 December 1993, the freehold property was revalued on an open market basis at £90,000. If the freehold property had not been revalued it would be included at cost of £36,000 (1995: £36,000).

The above valuation was carried out in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

Notes (continued)

12 Fixed asset investments

	Shares in subsidiary undertakings £000	Loan stock in subsidiary undertakings £000	Other investments £000	Shares in associated undertakings £000	Loan to associated undertakings £000	Total £000
Cost						
At beginning of year	61,803	1,000	71	406	4,750	69,844
Additions	-	-	33	5,957	3,435	9,425
Disposals	-	-	(16)	-	-	(16)
Conversion to shares	-	-	-	4,750	(4,750)	-
At end of year	61,803	1,000	88	11,113	3,435	79,253
Provisions						
At beginning of year	23,768	1,814	-	-	2,000	28,582
Provided in the year	4,080	-	-	4,050	1,350	9,480
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At end of year	27,848	1,814	-	4,050	3,350	38,062
Net book value						
At 31 December 1996	33,955	-	88	7,063	85	41,191
At 31 December 1995	38,035	-	71	406	2,750	41,262

Notes (continued)

13 Fixed asset investments (continued)

The principal companies in which the company's interest is more than 10% are as follows:

Subsidiary and associated undertakings	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Bovis Construction Limited	England and Wales	Building contractors	100%
Bovis International Limited	England and Wales	Overseas construction	100%
Yeomans and Partners Limited	England and Wales	Dormant	100%
Wyseplant Limited	England and Wales	Hire of plant	100%
Ashby and Horner London plc	England and Wales	Holding company	100%
Bovis Urban Renewal Limited	England and Wales	Urban redevelopment work	100%
Bovis Abroad Limited	England and Wales	Property development	100%
Technology Park Brno AS	Czech Republic	Property development	50%
Vector Investments Limited	England and Wales	Property development	50%
Bovis Development Consultants Limited	Thailand	Property development consultancy	49%
Bovis Thames (Shanghai) Limited	British Virgin Islands	Overseas investment	50%
Exchequer Partnership Limited	England and Wales	Private Finance Initiative Consortium Company	42.5%

In the opinion of the directors the investments in and amounts due from the company's subsidiary and associated undertakings are worth at least the amounts at which they are stated in the balance sheet.

Notes (continued)

14 Debtors

	1996 £000	1995 £000
Trade debtors	1,036	794
Amounts owed by group undertakings:		
Subsidiary undertakings	16,278	20,924
Parent and fellow subsidiary undertakings	55,437	58,423
Amounts owed by associated undertakings	479	1,738
Other debtors	105	122
Prepayments and accrued income	56	215
Deferred tax asset (note 16)	-	12
Group relief receivable	319	-
	<hr/> 73,710 <hr/>	<hr/> 82,228 <hr/>

Amounts owed by group undertakings are stated net of provisions as follows:

	Parent and fellow subsidiary undertakings £000
Provisions at 1 January 1996	429
Exchange adjustments	(19)
	<hr/>
Provisions at 31 December 1996	410 <hr/>

15 Creditors: amounts falling due within one year

	1996 £000	1996 £000	1995 £000	1995 £000
Amounts owed to group undertakings:				
Subsidiary undertakings		817		380
Parent and fellow subsidiary undertakings		51,787		50,586
Other creditors including taxation and social security:				
Corporation tax	-		846	
Other creditors	193		341	
	<hr/>		<hr/>	
Accruals and deferred income		193 65		1,187 535
		<hr/> 52,862 <hr/>		<hr/> 52,688 <hr/>

Notes (continued)

16 Provisions for liabilities and charges

Deferred taxation asset/(liability)

	£000
At beginning of year	12
Charge for the year in the profit and loss account	(21)
At end of year	(9)

Analysis of deferred taxation

	Potential asset/(liability)		Amount provided	
	1996	1995	1996	1995
	£000	£000	£000	£000
Accelerated capital allowances	24	11	24	11
Short term timing differences	(33)	1	(33)	1
	(9)	12	(9)	12

17 Called up share capital

	1996		1995	
	£000	Number '000	£000	Number '000
<i>Authorised</i>				
Ordinary shares of 25p each	17,092	68,368	17,092	68,368
Unclassified shares of 25p each	283	1,132	283	1,132
	17,375	69,500	17,375	69,500
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 25p each	16,743	66,972	16,743	66,972

Notes (continued)

18 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 1995	20,439	54	34,733	55,226
Loss for the year	-	-	(3,663)	(3,663)
At 31 December 1996	<u>20,439</u>	<u>54</u>	<u>31,070</u>	<u>51,563</u>

Nominal share capital at end of year was £16,743,000 (1995: £16,743,000).

19 Reconciliation of movements in equity shareholders' funds

	1996 £000	1995 £000
Loss for the financial year	(3,663)	(1,840)
Dividends paid	-	(4,975)
Net movement in equity shareholders' funds	<u>(3,663)</u>	<u>(6,815)</u>
Opening equity shareholders' funds	71,969	78,784
Closing equity shareholders' funds	<u>68,306</u>	<u>71,969</u>

Notes (continued)

20 Contingent liabilities

The company had contingent liabilities in respect of guarantees granted in respect of the following:

	1996 £000	1995 £000
Bonds of subsidiary undertakings	1,578	1,739
Bonds of associated and fellow subsidiary undertakings	291	383
Other borrowings and facilities of subsidiary undertakings	2,421	2,610
Borrowings and facilities of associated undertakings	16,917	25,307
Borrowings and facilities of third parties	150	150
Purchase commitment of former partly owned subsidiary undertaking	1,900	1,900
	<u>23,257</u>	<u>32,089</u>

There are also contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business. The company participated in a cross-guarantee arrangement with its principal bank in respect of the accounts of fellow group undertakings.

21 Commitments

Annual commitments under operating leases are as follows:

	1996 £000	1995 £000
Land and buildings		
Operating leases which expire:		
between one and five years	454	-
Over five years	-	454
	<u>454</u>	<u>454</u>

Notes (continued)

22 Pension scheme

The company is a member of the main scheme ('the scheme') operated by The Peninsular and Oriental Steam Navigation Group ('the P&O Group') which is a defined benefit scheme. The total cost to the company during the year, all of which was charged to the profit and loss account, was £37,657 (1995: £47,693) representing the appropriate proportion of the costs of the scheme incurred across the P&O Group as a whole. Further details of main scheme including the basis on which actuarial valuations have been carried out and the level of funding are set out in the accounts of the ultimate parent undertaking.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate and ultimate parent undertaking is The Peninsular and Oriental Steam Navigation Company which is incorporated in Great Britain and registered in England and Wales. The accounts of the parent undertaking consolidate the results of the company. Copies of the accounts of the parent undertaking may be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3HZ.