

Registered No. 2833805

Jarvis Construction (UK) Limited
Annual report and Accounts
for the year ended 31 March 1998



Jarvis Construction (UK) Limited

Report and accounts for the year ended 31 March 1998

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Directors and advisors

Directors

P Moayed
D M Freeborn
H Lafferty
A J Sutton
B L Westbrook

Secretary

R W Kendall

Auditors

Coopers & Lybrand
Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

Registered office

Frogmore Park
Watton-at-Stone
Hertford
SG14 3RU

Bankers

National Westminster Bank Plc
180 Shoreditch High Street
London
E1 6HY

Solicitors

Nabarro Nathanson
50 Stratton Street
London
W1X 5FL

Eversheds
Senator House
85 Queen Victoria Street
London
EC4V 4JL

Directors' report for the year ended 31 March 1998

The directors present their report and the audited accounts for the year ended 31 March 1998.

Results and dividends

The profit for the financial period attributable to shareholders which has been dealt with in the accounts and which has been added to reserves is £449,000 (1997: £2,703,000). The directors do not recommend the payment of a dividend.

Principal activities and review of the business

The principal activity of the Company is building contracting and civil engineering.

The directors are of the opinion that both the current level of business and the financial position at the year end are satisfactory and expect that this level of activity will be sustained.

With effect from 31 March 1998, the Company acquired the entire trade and assets of Jarvis (Scotland) Limited at the net book value which the directors consider approximate to fair value in exchange for cash. At the year end no settlement has been made for these transactions which remain in the intercompany balance.

Directors and their interests

The directors of the Company during the year ended 31 March 1998 were:

P Moayed
D M Freeborn
H Lafferty
A J Sutton
B L Westbrook

At 31 March 1998, none of the directors had any beneficial interest in the shares of the Company. The interests of Mr P Moayed, Mr D M Freeborn, Mr H Lafferty and Mr B L Westbrook in the shares of the ultimate parent undertaking, Jarvis plc, are disclosed in the accounts of that company.

At 31 March 1998, Mr A J Sutton held 120,450 ordinary shares of 5p each in Jarvis plc, (1997: 122,500) and also held options over the following ordinary 5p shares in Jarvis plc:

	1 April 1997 Number	31 March 1998 Number	Exercise price	Exercise dates
Executive share option scheme	100,000	100,000	10p	December 1995 - December 2001
	25,000	25,000	23.75p	November 1998 - October 2005
Share save scheme	4,367	4,367	79p	December 2000 - May 2001

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those accounts, the directors are required to select suitable accounting policies and then apply them consistently; to make judgements and estimates that are reasonable and prudent; to state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and to prepare accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The directors confirm that the accounts comply with the above requirements.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Creditor payment policy

When entering into commitments for the purchase of services and goods the Company gives due consideration to quality, delivery, price and the terms of payment. Suppliers are made aware of these terms. The Company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with agreed terms and conditions. In the event of disputes, efforts are made to resolve them quickly.

During the year ended 31 March 1998, the Company, on average, paid its creditors within 57 days of receipt of invoice.

Year 2000

The Company continues to address the effects of the millenium date change on its business and is working closely with its key partners to ensure that Year 2000 compliance is achieved. The Company has not yet fully determined the cost to it of achieving Year 2000 compliance.

Auditors

Our auditors Coopers & Lybrand merged with Price Waterhouse on 1 July 1998. A resolution to appoint the new firm PricewaterhouseCoopers as auditors to the company will be proposed at the forthcoming annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'R W Kendall', with a long horizontal stroke extending to the right.

R W Kendall

Secretary

21 September 1998

**Report of the auditors
to the members of Jarvis Construction (UK) Limited**

We have audited the accounts on pages 6 to 15.

Respective responsibilities of directors and auditors

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

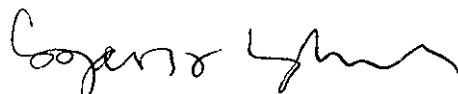
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

21 September 1998

**Profit and loss account
for the year ended 31 March 1998**

	Notes	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
Turnover	2	87,514	65,598
Cost of sales		(82,216)	(61,646)
Gross profit		5,298	3,952
Operating expenses		(4,324)	(1,258)
Operating profit	3	974	2,694
Interest receivable and similar income	7	515	9
Interest payable and similar charges	8	(880)	-
Profit on ordinary activities before taxation		609	2,703
Taxation	9	(160)	-
Retained profit for the period	15	449	2,703

The above results all relate to continuing operations.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

Balance sheet at 31 March 1998

	Notes	31 March 1998 £'000	31 March 1997 £'000
Fixed assets			
Tangible assets	10	3,070	664
Investments	11	6,649	6,649
		<u>9,719</u>	<u>7,313</u>
Current assets			
Debtors	12	28,663	42,082
Cash at bank and in hand		5,697	1,183
		<u>34,360</u>	<u>43,265</u>
Creditors: amounts falling due within one year	13	(35,628)	(42,576)
Net current (liabilities)/assets		<u>(1,268)</u>	<u>689</u>
Total assets less current liabilities		<u>8,451</u>	<u>8,002</u>
Capital and reserves			
Called up share capital	14	5,299	5,299
Profit and loss account	15	3,152	2,703
Equity shareholders' funds	16	<u>8,451</u>	<u>8,002</u>

The accounts on pages 6 to 15 were approved by the board on 21 September 1998 and were signed on its behalf by:

H. Lafferty

H Lafferty
Director

21 September 1998

**Notes to the accounts
for the year ended 31 March 1998****1 Principal accounting policies****Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

As the Company is a wholly owned subsidiary of Jarvis plc, group accounts have not been prepared in accordance with Section 228 of the Companies Act 1985.

A summary of the more important accounting policies of the Company, which have been applied consistently, is set out below.

Tangible fixed assets

Tangible fixed assets are stated at cost, being their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less any residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The rates of depreciation for plant, vehicles and equipment vary between 5% and 33% dependant upon the category of asset concerned.

Long term contracts

Amounts recoverable on contracts represent the cost of work carried out to date, including uncertified amounts where the directors have satisfied themselves that entitlement has been established, together with any attributable profit, less any foreseeable losses and progress payments received and receivable. Attributable profit represents that part of the contract profit that is currently estimated to arise which fairly reflects the work completed by the accounting date. Such profits are recognised only when the outturn of the contract can be foreseen with reasonable certainty. Provision is made for losses as soon as they are foreseen.

Taxation

Provision is made for deferred taxation using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred. Details of pension arrangements are given in note 6.

Cash flow statement

The Company is a wholly owned subsidiary of Jarvis plc and the cash flows of the Company are included in the consolidated cash flow statement of Jarvis plc. Consequently the Company is exempt under the terms of Financial Reporting Standard No.1 (revised) from publishing a cash flow statement.

Related party transactions

The Company is a wholly owned subsidiary of Jarvis plc and as such the Company has taken advantage under the terms of Financial Reporting Standard No.8 not to disclose related party transactions which are eliminated on consolidation.

2 Turnover

Turnover, all of which arises from operations within the United Kingdom, excludes value added tax and trade discounts, and represents the value of contract work carried out during the year.

3 Operating profit

	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
The operating profit is stated after charging:		
(Loss)/profit on disposal of tangible fixed assets	(24)	75
And after charging:		
Hire of plant and machinery	1,629	3,318
Operating lease rentals:		
- land and buildings	58	41
- plant and machinery	418	309
Auditors' remuneration - audit services	112	-
Depreciation of tangible fixed assets	324	71

4 Directors' remuneration

The remuneration of the directors are paid by the parent undertaking. The total remuneration paid to Messrs Freeborn, Lafferty, Moayed and Westbrook are included in the aggregate directors' remuneration disclosed in the accounts of the parent undertaking. Mr Sutton's remuneration in respect of his services to the Company which were paid by the company were estimated to be £88,544. The aggregate value of contributions paid by the company to defined contribution pension arrangements in respect of Mr Sutton, who served during the period was £7,000.

5 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the period, analysed by activity, was as follows:

	1998 Number	1997 Number
By activity		
Contracting	209	204
Administration	18	17
	<u>227</u>	<u>221</u>

The employment costs of all employees included above were:

	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
Wages and salaries	5,648	3,969
Social security costs	520	362
Other pension costs	214	173
	<u>6,382</u>	<u>4,504</u>

6 Pension arrangements

For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals salaries.

7 Interest receivable and similar income

	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
Intra group interest receivable	<u>515</u>	<u>9</u>

8 Interest payable and similar charges

	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
Intra group interest payable	<u>880</u>	<u>-</u>

9 Taxation

	Year ended 31 March 1998 £'000	15 months ended 31 March 1997 £'000
UK corporation tax at 31%	<u>160</u>	<u>-</u>

10 Tangible fixed assets

	Plant vehicles and equipment £'000
Cost	
At 1 April 1997	3,924
Additions	536
Intra group transfers	2,480
Disposals	(2,067)
At 31 March 1998	<u>4,873</u>
Depreciation	
At 1 April 1997	3,260
Intra group transfers	262
Charge for the period	324
Disposals	(2,043)
At 31 March 1998	<u>1,803</u>
Net book value	
At 31 March 1998	<u>3,070</u>
At 31 March 1997	<u>664</u>

11 Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 April 1997	6,649
At 31 March 1998	<u>6,649</u>
Net book value	
At 31 March 1998	<u>6,649</u>
At 31 March 1997	<u>6,649</u>

The subsidiary undertakings at 31 March 1998 were:

Name of undertaking	Description of shares held
J Jarvis & Sons Limited	Ordinary 5p shares
Shephard Hill Civil Engineering Limited	Ordinary £1 shares
Jarvis (Scotland) Limited	Ordinary £1 shares
Newman Interiors Limited	Ordinary £1 shares

Unless otherwise stated all of the above companies are registered in Great Britain, operate in the United Kingdom and are 100% owned, the investment comprising ordinary shares only. The investment in Newman Interiors Limited is held indirectly. The principal activity of Jarvis (Scotland) Limited was building and civil engineering. At 31 March 1998, none of the companies were trading.

12 Debtors

	31 March 1998 £'000	31 March 1997 £'000
Amounts recoverable on contracts	26,983	16,949
Amounts owed by group associates	531	20,744
Prepayments and accrued income	122	4,389
Other debtors	<u>1,027</u>	<u>-</u>
	<u>28,663</u>	<u>42,082</u>

Amounts recoverable on contracts include £4,410,000 (1997: £3,615,000) which is expected to take more than twelve months to realise.

13 Creditors: amounts falling due within one year

	31 March 1998 £'000	31 March 1997 £'000
Trade creditors	13,703	9,089
Amounts owed by group undertakings	9,046	23,764
Taxation and social security	217	(190)
Corporation tax payable	160	-
Other creditors	-	9
Accruals and deferred income	12,502	9,904
	<u>35,628</u>	<u>42,576</u>

Amounts owed to group undertakings are included under amounts falling due within one year as there are no specific terms as to their repayment. While the amounts are technically repayable on demand and hence are included in creditors falling due within one year, the directors are of the opinion that, in the ordinary course of business, repayment within such a time scale would not be required.

14 Called up share capital

	31 March 1998		31 March 1997	
	Number '000	Value £'000	Number '000	Value £'000
Authorised				
6,000,000 Ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Allotted, called up and fully paid				
5,299,000 Ordinary shares of £1 each	<u>5,299</u>	<u>5,299</u>	<u>5,299</u>	<u>5,299</u>

15 Profit and loss account

	1998 £'000
At 1 April 1997	2,703
Retained profit for the period	<u>449</u>
At 31 March 1998	<u>3,152</u>

16 Reconciliation of movements on shareholders' funds

	31 March 1998 £'000	31 March 1997 £'000
Opening shareholders' funds	8,002	4,000
Profit for the financial period	449	2,703
Issue of share capital	-	1,299
Closing shareholders' funds	<u>8,451</u>	<u>8,002</u>

17 Deferred taxation

The Company had no deferred tax liability at 31 March 1998.

18 Contingent liabilities

The Company has guaranteed performance bonds in respect of contracts entered into by fellow subsidiary undertakings in the normal course of business. Guarantees have been given by the Company in the ordinary course of business without limit, in respect of loans and overdrafts of its ultimate parent and fellow subsidiary undertakings, which amounted to £10,313,000 at 31 March 1998 (1997: £4,324,000).

19 Financial commitments

At 31 March 1998, the Company has the following obligations under non-cancellable operating leases:

	31 March 1998		31 March 1997	
	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000
Expiring within one year	88	10	96	58
Expiring between two and five years	346	48	359	-
	<u>434</u>	<u>58</u>	<u>455</u>	<u>58</u>

20 Ultimate parent undertaking

The Company's ultimate parent undertaking and ultimate controlling party is Jarvis plc a company registered in England and Wales, whose accounts may be obtained from the Secretary, Jarvis plc, Frogmore Park, Watton-at-Stone, Hertford, SG14 3RU.