

Registered No. 2833805

Jarvis Construction (UK) Limited
Annual report and Accounts
for the year ended 31 March 1999



Jarvis Construction (UK) Limited

Report and accounts for the year ended 31 March 1999

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Jarvis Construction (UK) Limited

Directors and advisors

Directors

P Moayed
D M Freeborn
H Lafferty
B L Westbrook
R M Brookfield
R Feast
P M Richardson
P S Goddard
A Sutton

Secretary

R W Kendall

Auditors

PricewaterhouseCoopers
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

Jarvis Construction (UK) Limited

Directors' report for the year ended 31 March 1999

The directors present their report and the audited accounts for the year ended 31 March 1999.

Results and dividends

The profit on ordinary activities after taxation for the financial year attributable to shareholders which has been dealt with in the accounts is £648,000 (1998: £449,000). The directors recommend the payment of a final dividend of £3,800,000 (1998: nil). The net retained loss after payment of this dividend of £3,152,000 will be transferred to reserves.

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.

Directors and their interests

The directors of the Company during the year ended 31 March 1999 were:

P Moayed
D M Freeborn
H Lafferty
A J Sutton
B L Westbrook
P M Richardson (appointed 28 September 1998)

R M Brookfield, R Feast and P S Goddard were appointed directors of the company with effect from 10 May 1999.

At 31 March 1999, none of the directors had any beneficial interest in shares of the Company. The interests of P Moayed, D M Freeborn, H Lafferty and B L Westbrook in shares of the ultimate parent undertaking, Jarvis plc, are disclosed in the accounts of that company.

At 31 March 1999, A J Sutton held 117,500 ordinary shares of 5p each in Jarvis plc, (1998: 120,450) and P M Richardson held 13,388 ordinary shares of 5p each in Jarvis plc (on appointment: 13,388)

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The following options in ordinary 5p shares in Jarvis plc were also held:-

	1 April 1998*	Granted in the year	Exercised in the year	31 March 1999	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Executive share option scheme								
P M Richardson	33,800	-	-	33,800	88.75p	-	Oct 1999	Oct 2006
P M Richardson	216,200	-	-	216,200	88.75p	-	Oct 1999	Oct 2003
A J Sutton	100,000	-	-	100,000	10.00p	-	Dec 1995	Dec 2001
A J Sutton	25,000	-	-	25,000	23.75p	-	Oct 1998	Oct 2005
A J Sutton	-	10,000	-	10,000	487.00p	-	Oct 2001	Oct 2008
Share save								
P M Richardson	924	-	-	924	306.00p	-	Feb 2003	July 2003
A J Sutton	4,367	-	-	4,367	79.00p	-	Dec 2001	May 2002

*or date of appointment

Employee involvement

The directors attach the greatest importance to the development of employee involvement throughout the company based on good communication and working relationships. Consultation takes place through normal contacts with regions and in meetings with all levels of employees to assist the employees to become more aware of the financial and economic factors affecting the performance of the company.

The company gives equal opportunities to disabled persons wherever possible both in recruitment and career development.

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.

Jarvis Construction (UK) Limited

Creditor payment terms

When entering into commitments for the purchase of services and goods the company gives due consideration to quality, 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 1999, the company, on average, paid its creditors within 67 days of receipt of invoice.

Year 2000

The board recognises the significant risks that face all businesses in relation to year 2000 compliance. The board reviews progress on a regular basis. The major area where work has been needed to secure year 2000 compliance has been in IT equipment and systems and many of the modifications or replacements form part of the normal investment for the development and upgrading of the company's IT and communications system. Certain aspects of this programme are being completed over the first six month of the new financial year but these represent straight replacement with proprietary desktop equipment and software that are on the market and are already fully tested and compliant. The company has surveyed its customers and suppliers to ensure that they are addressing appropriately year 2000 compliance in respect of matters which may affect the trading relationship between them and the company and will continue to monitor its trading partners. The costs that are separately identifiable are not material to the company.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the forthcoming annual general meeting.

By order of the board



R W Kendall
Secretary

21 June

1999

Jarvis Construction (UK) Limited

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

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any misstatements or material inconsistencies with the financial statements.

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

30 June

1999

Jarvis Construction (UK) Limited

Profit and loss account for the year ended 31 March 1999

	Notes	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Turnover	2	122,027	87,514
Cost of sales		(110,939)	(82,216)
Gross profit		11,088	5,298
Operating expenses		(9,609)	(4,324)
Operating profit	3	1,479	974
Interest receivable and similar income	7	39	515
Interest payable and similar charges	8	(858)	(880)
Profit on ordinary activities before taxation		660	609
Taxation	9	(12)	(160)
Profit on ordinary activities after taxation		648	449
Dividends	10	(3,800)	-
Retained (loss)/profit for the year		(3,152)	449

The above results all relate to continuing operations

The Company has no recognised gains and losses other than the losses 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 loss for the period stated above, and their historical cost equivalents.

Jarvis Construction (UK) Limited

Balance sheet at 31 March 1999

	Notes	31 March 1999 £'000	31 March 1998 £'000
Fixed assets			
Tangible assets	11	2,716	3,070
Investments	12	6,649	6,649
		<u>9,365</u>	<u>9,719</u>
Current assets			
Debtors	13	38,174	28,663
Cash at bank and in hand		8,957	5,697
		<u>47,131</u>	<u>34,360</u>
Creditors: amounts falling due within one year	14	<u>(51,181)</u>	<u>(35,628)</u>
Net current liabilities		<u>(4,050)</u>	<u>(1,268)</u>
Creditors: Amounts falling due after more than one year	15	<u>(16)</u>	<u>-</u>
Total assets less current liabilities		<u>5,299</u>	<u>8,451</u>
Capital and reserves			
Called up share capital	16	5,299	5,299
Profit and loss account	17	0	3,152
Equity shareholders' funds	18	<u>5,299</u>	<u>8,451</u>

The accounts on pages 6 to 15 were approved by the board on 1999 and were signed on its behalf by:

21 June

H. Lafferty

H Lafferty
Director
21 June 1999

Jarvis Construction (UK) Limited

Notes to the accounts for the year ended 31 March 1999

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.

The accounts have been prepared on a going concern basis since the directors have received written assurances from Jarvis plc that financial support will continue to be provided to enable the company to continue to trade.

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.

Jarvis Construction (UK) Limited

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 1999 £'000	Year ended 31 March 1998 £'000
The operating profit is stated after charging: (Loss)/profit on disposal of tangible fixed assets	-	(24)
And after charging:		
Hire of plant and machinery	1,823	1,629
Operating lease rentals:		
- land and buildings	252	58
- plant and machinery	-	418
Auditors' remuneration - audit services	120	112
Depreciation of tangible fixed assets	924	324

Jarvis Construction (UK) Limited

4 Directors' remuneration

The remuneration of the majority of the directors is paid by parent undertaking.

The total remuneration paid to Messrs Freeborn, Lafferty, Moayed, Sutton and Westbrook are included in the aggregate directors' remuneration disclosed in the accounts of the parent undertaking.

Directors

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Aggregate remuneration	<u>87</u>	<u>-</u>

The aggregate value of contributions paid by the Company to defined contribution arrangements in respect of directors who served during the period was £4,000 (1998: nil)

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:

	1999 Number	1998 Number
By activity		
Contracting	188	209
Administration	<u>80</u>	<u>18</u>
	<u>268</u>	<u>227</u>

The employment costs of all employees included above were:

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Wages and salaries	8,125	5,648
Social security costs	754	520
Other pension costs	<u>316</u>	<u>214</u>
	<u>9,195</u>	<u>6,382</u>

6 Pension arrangements

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

Jarvis Construction (UK) Limited

7 Interest receivable and similar income

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Intra group interest receivable	-	515
Other interest receivable	39	-
	<u>39</u>	<u>515</u>

8 Interest payable and similar charges

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Intra group interest payable	800	880
Lease finance interest	1	-
Other interest payable	57	-
	<u>858</u>	<u>880</u>

9 Taxation

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
UK corporation tax at 31% (1998: 31%)	<u>12</u>	<u>160</u>

The tax charge for the year has been reduced by losses brought forward.

10 Dividends

	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
Proposed final	<u>3,800</u>	<u>-</u>

Jarvis Construction (UK) Limited

11 Tangible fixed assets

Plant, vehicles and equipment £'000

Cost

At 1 April 1998	4,873
Additions	1,190
Intra group transfers	-
Disposals	(848)
At 31 March 1999	5,215

Depreciation

At 1 April 1998	1,803
Intra group transfers	-
Charge for the period	924
Disposals	(228)
At 31 March 1999	2,499

Net book value

At 31 March 1999	2,716
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At 31 March 1998	3,070
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12 Fixed asset investments

Subsidiary Undertakings £'000

Cost

At 1 April 1998	6,649
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At 31 March 1999	6,649
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Net book value

At 31 March 1999	6,649
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At 31 March 1998	6,649
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Jarvis Construction (UK) Limited

The subsidiary undertakings at 31 March 1999 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. At 31 March 1999, none of the companies were trading.

13 Debtors

	31 March 1999 £'000	31 March 1998 £'000
Amounts recoverable on contracts	29,891	26,983
Amounts owed by group associates	344	531
Amounts owed by other group companies	6,620	-
Prepayments and accrued income	356	122
Other debtors	963	1,027
	<u>38,174</u>	<u>28,663</u>

Amounts recoverable on contracts include £9,768,000 (1998: £4,410,000) which is expected to take more than twelve months to realise.

14 Creditors: amounts falling due within one year

	31 March 1999 £'000	31 March 1998 £'000
Trade creditors	16,433	13,703
Amounts owed by group companies	14,480	9,046
Dividends proposed	3,800	-
Taxation and social security	38	217
Corporation tax payable	12	160
Other creditors	4	-
Accruals and deferred income	16,414	12,502
	<u>51,181</u>	<u>35,628</u>

Amounts owed to group companies 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.

Jarvis Construction (UK) Limited

15 Creditors: Amounts falling due in more than one year

	31 March 1999 £'000	31 March 1998 £'000
Lease finance	<u>16</u>	<u>-</u>

16 Called up share capital

	31 March 1999		31 March 1998	
	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>

17 Profit and loss account

	£'000
At 1 April 1998	3,152
Retained loss for the period	<u>(3,152)</u>
At 31 March 1999	<u>0</u>

18 Reconciliation of movements on shareholders' funds

	31 March 1999 £'000	31 March 1998 £'000
Opening shareholders' funds	8,451	8,002
Profit for the financial period	648	449
Dividends	<u>(3,800)</u>	<u>-</u>
Closing shareholders' funds	<u>5,299</u>	<u>8,451</u>

Jarvis Construction (UK) Limited

19 Deferred taxation

The Company had no deferred tax liability at 31 March 1999.

20 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 £145,000,000 at 31 March 1999 (1998: £10,313,000).

21 Financial commitments

At 31 March 1999, the Company has the following obligations under non-cancellable operating leases:

	31 March 1999		31 March 1998	
	Plant and machinery £'000	Land and buildings £'000	Plant and Machinery £'000	Land and buildings £'000
Expiring within one year	-	-	88	10
Expiring between two and five years	-	48	346	48
	<u>-</u>	<u>48</u>	<u>434</u>	<u>58</u>

22 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.