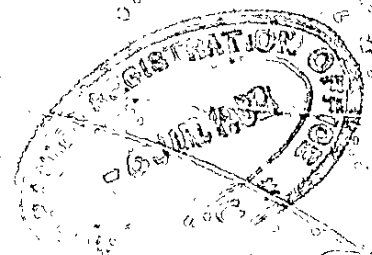


The Charterhouse Group plc

DIRECTORS' REPORT & ACCOUNTS



DIRECTORS' REPORT

To be presented at the Forty-Seventh Annual General Meeting of the Company to be held at Plaisterers Hall, 1 London Wall, London EC2 at 12 noon on Friday, 28th May, 1982.

Profit and dividends

The consolidated profit for the year ended 31st December 1981 after taxation and minority interests before extraordinary items amounted to £10,960,000.

The directors recommend a final ordinary dividend of 3.0 pence per fully paid ordinary share making a total for the year of 4.925 pence per share.

The retained profit of £387,000 has been added to reserves.

Activities

Details of the group's activities and objectives are given in the Review section (pages 8 to 10) and the principal subsidiaries, associated companies and other investments are listed on pages 32 to 34.

On 14th April 1981, 825,959 ordinary shares of 25p each fully paid were issued together with £81,416 as consideration for the acquisition of 81% of Hill Industrial Holdings Limited not already owned by the group.

On 11th May 1981 the group acquired 75% of M6 Cash & Carry Limited for £2,340,000.

On 22nd May 1981 the group acquired 75.1% of Chambers and Newman Limited for £575,100.

On 8th September 1981 the group, through its banking subsidiary Charterhouse Japhet plc, disposed of Holding Financier for Swiss Francs 44 million (approximately £10.23 million). Shareholder approval of this transaction was given at the Extraordinary General Meeting held on 28th May 1981.

On 30th December 1981 the group sold substantially all the business of its wholly owned subsidiary Alenco (Holdings) Limited for £6,300,000 to Parker Hannifin Corporation of the USA.

On 7th January 1982 the group sold its wholly owned subsidiary Napcolour Limited to LRC International PLC for £4,531,000.

On 19th January 1982 the group acquired a 75% interest in FSP (Filtration & Separation Products) Limited, partly from an associated company, for £609,900. In addition loans and preference capital amounting to £525,000 were injected to enable it to acquire the remaining 75% of Engineering Developments (Farnborough) Limited not already owned by the group.

On 1st February 1982, 301,204 ordinary shares of 25p each fully paid were issued as consideration for the acquisition of Electrolok Company (Security) Limited and Autolok Manufacturing Company Limited.

Analysis by activity

	Turnover		Profit before interest	
	1981	1980	1981	1980
<i>Investments</i>				
Development capital	—	—	13,309	3,946
Oil exploration and production	—	8,730	4,890	7,751
Manufacturing	94,185	85,200	3,941	4,026
Services	84,555	57,243	4,585	4,923
			26,725	20,646
Banking (after transfer to inner reserve)			5,975	4,216
Unallocated central costs			(1,500)	(1,025)
			31,200	23,837
Interest payable			8,614	7,716
Profit before taxation			22,586	16,121

• For trading companies turnover comprises invoiced sales. No meaningful turnover can be established for development capital or banking. The turnover of associated companies is excluded.

£'000

	Turnover		Profit before interest	
	1981	1980	1981	1980
United Kingdom	104,228	93,641	13,876	17,330
Rest of Europe	67,115	51,115	6,161	4,396
North America	3,429	2,467	10,429	1,780
Other	3,968	3,950	734	331
			31,200	23,837
Interest payable			8,614	7,716
Profit before taxation			22,586	16,121

On 31st July 1981, £2,640,399 8½% unsecured loan stock 1990/95 was issued in exchange for £600,000 7¼% debenture stock 1988/93 of Keyser Ullmann Holdings Limited, £636,795 7% unsecured loan stock 1985/90 and £1,250,000 7½% unsecured loan stock 1986/91 of Hocroft Trust Limited.

During the year ended 31st December 1981, 461,912 ordinary shares of 25p each were allotted following the exercise of options granted under share option schemes approved by shareholders in 1973 and 1978. The total consideration was £223,908.

During the year ended 31st December 1981, 48,500 ordinary shares of 25p each, which had been issued on 15th July 1971 at 69.5p per share ½p paid, under the terms of The Charterhouse Group Senior Executive Incentive Scheme, were the subject of calls amounting to £33,033 and became fully paid.

The Prudential Assurance Company Limited has informed the company that it holds 15,470,327 (10.07%) fully paid ordinary shares. The Directors are not aware of any other holding representing 5% or more of the fully paid ordinary shares of the company.

The present directors of the company are shown on page 7. As reported last year Mr GA Naggar resigned as a director on 8th April 1981 and Mr GE Borrett retired from the board at the conclusion of the Annual General Meeting held on 28th May 1981.

Sir Campbell Fraser, who was appointed on 29th January 1982, now retires in accordance with the Articles of Association and, being eligible, offers himself for election.

Mr HS Clarke, Mr P G Benham, Sir Nigel Foulkes and Mr GN Mobbs retire by rotation. Mr Clarke does not seek re-election but Mr Benham, Sir Nigel Foulkes and Mr Mobbs, being eligible, offer themselves for re-election.

The company is not a close company under the provisions of the Income and Corporation Taxes Act 1970, as amended.

The weekly average numbers of employees in the United Kingdom of the company and its subsidiaries was 4,778 (1980 – 5,098) and their remuneration for the year ended 31st December 1981 amounted to £30,122,000 (1980 – £29,626,000). At 31st December 1981 the total number of employees worldwide was 6,515 (1980 – 6,852).

A contribution of £5,000 (1980 – £5,000) was made to British United Industrialists. Charitable donations amounted to £28,000 (1980 – £13,000).

For the purposes of Article 104 of the Articles of Association, the directors designate as 'banking subsidiaries' the companies listed on page 35.

Continued on page 14

13

Directors' interests

The interests, as defined by the Companies Act 1967, of the directors and their families in shares, debentures and loan stocks of the company at 31st December 1981 and 31st December 1980 are set out below and reproduce the information in the register which is kept for this purpose at the company's registered office and which will be available for inspection at the Annual General Meeting.

	31st December or on appointment	Ordinary shares 25 pence Fully paid	1/2p paid	Ordinary share options
R E Artus	1981 1980	1,000 1,000	— —	— —
P G Benham	1981 1980	3,224 3,224	— —	— —
H S Clarke	1981 1980	800 800	— —	— —
E G Cox	1981 1980	1,000 1,000	20,000 20,000	135,000 49,000
J A Downes	1981 1980	10,000 10,000	20,000 20,000	145,800 22,800
Sir Nigel Foulkes	1981 1980	600 600	— —	— —
J B Hyde	1981 Appointed 1st April 1981	400 400	— —	175,000 —
• CM Keyser	1981 1980	554,543 554,542	— —	— —
GN Mobbs	1981 1980	5,000 5,000	— —	— —
M H F Morley	1981 Appointed 2nd March 1981	5,000 5,000	— —	150,000 —
G C Rowett	1981 1980	50,000 40,000	— —	133,534 60,000
K H Thompson	1981 1980	1,200 1,200	— —	125,000 50,000
D E Wilde	1981 1980	10,000 10,000	— —	— —

- Includes a non-beneficial interest in 46,990 shares (31.12.80-46,990). Mr CM Keyser also held 16,600 5.75% cumulative second preference shares (31.12.80-16,600).

The partly paid shares were issued under the terms of The Charterhouse Group Senior Executive Incentive Scheme. The share options have been granted under the terms of Share Option Schemes, further details of which are given in Note 10 on page 27.

No changes took place in the above mentioned holdings between 31st December 1981 and 8th April 1982. Sir Campbell Fraser acquired 400 ordinary shares of 25p each on 29th January 1982. No director has any beneficial interest in any shares or debentures of any subsidiary company.

No director has, or has had, during the year under review, any beneficial interest in any contract or arrangement with the company or any of its subsidiaries in the terms laid down in the Stock Exchange Listing Agreement.

Auditors

The joint auditors Price Waterhouse and Ernst & Whinney have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

N Mobbs G C Rowett Directors

K W Ritchie Secretary

8th April 1982

[Handwritten signatures of N Mobbs, G C Rowett, and K W Ritchie]

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GN Mobbs	1981 1980	5,000 5,000	— —	— —
MHF Morley	1981 Appointed 2nd March 1981	5,000 5,000	— —	150,000 —
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DE Wilde	1981 1980	10,000 10,000	— —	— —

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GN Mobbs G C Rowett Directors

KWR Ritchie Secretary

8th April 1982

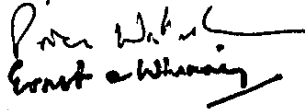
[Handwritten signatures of GN Mobbs, G C Rowett, and KWR Ritchie]

To the members of The Charterhouse Group plc

We have audited the accounts set out on pages 16 to 34 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention as modified by the revaluation of properties and incorporate information in respect of the banking subsidiary on the basis authorised for a banking company.

In our opinion the accounts give on the bases stated above a true and fair view of the state of affairs of the company and of the group at 31st December 1981 and of the profit and the source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

Price Waterhouse
Ernst & Whinney
Chartered Accountants



Handwritten signature of Peter Waterhouse, with the firm name 'Ernst & Whinney' written below it.

London 8th April 1982

Introduction	The principal accounting policies of the group are given below. With the exception of the bank, common accounting policies are adopted by all companies in the group.
Group accounts	<p>The group accounts deal with the accounts of the company and its subsidiaries including the bank, Charterhouse Japhet plc and its subsidiaries. The results of subsidiaries acquired and sold during the year are included in the consolidated profit and loss account from and to the effective dates of acquisition and disposal respectively.</p> <p>The accounts are prepared under the historical cost convention with the exception that certain freehold and long leasehold properties are stated at valuation.</p>
The bank	<p>Charterhouse Japhet plc, a wholly owned subsidiary, is a banking company and is accordingly not required under the Companies Acts 1948 and 1967 to show in its balance sheet the aggregate amount of its reserves, the movements therein and the market value of its investments. In its own accounts the profit of the bank and its subsidiaries is stated after tax and transfer to inner reserve out of which provision is made for diminution in the value of its assets. In the group accounts this profit has been grossed up at the bank's average rate of tax.</p> <p>Inter company balances with other members of the group are not eliminated on consolidation.</p>
Net premium on acquisitions	<p>On the acquisition of a subsidiary the excess of the cost of the shares acquired by the group over the fair value of the attributable net assets at the date of acquisition is shown in the consolidated balance sheet as premium on acquisition. It is an accounting policy of the group to write down this figure when its value can no longer be supported.</p> <p>Where the consideration for an acquisition is satisfied wholly or in part by an exchange of shares such shares are treated as having been issued at a fair value having regard to all the circumstances of the acquisition.</p>
Associated companies	<p>Associated companies are those companies in which the group's interest is either (a) effectively that of a partner in a joint venture or (b) substantial and for the long term and where the group is in a position to exercise significant influence on financial and operating policy decisions.</p> <p>The group brings into the consolidated profit and loss account its share of the profits and losses of associated companies and into the consolidated balance sheet the investments at cost, less any amounts written off, together with its share of post-acquisition reserves. For this purpose the latest available accounts are used made up to the date of the group accounts or to a date not more than six months earlier.</p> <p>Profits and losses on the sale of investments in associated companies which are short term joint ventures are included in the consolidated profit and loss account as profit before interest payable of the 'Parent company and subsidiaries'. Profits and losses on the sale of investments in associated companies which were acquired for the long term are dealt with as extraordinary items.</p> <p>The group has a number of other investments in which it holds 20% or more of the equity share capital. These investments are not accounted for as associated companies because the group does not hold them for the long term and does not conduct its business through them.</p>

Research and development expenditure

Expenditure on research and development is charged in the consolidated profit and loss account in the year in which it is incurred.

Investments

Investments are included in the consolidated balance sheet on the following bases:

Held by the bank

Listed investments are stated individually at the lower of cost and market value and unlisted investments individually at the lower of cost and directors' valuation.

Held by other subsidiaries

Listed investments are stated on an aggregate basis at the lower of cost less provisions and market value and unlisted investments on an aggregate basis at the lower of cost less provisions and directors' valuation.

Stocks and work-in-progress

Stocks are valued at the lower of cost and estimated net realisable value, allowance being made for obsolete and slow moving items. Cost in this context includes an appropriate proportion of overheads. Work-in-progress is valued on a similar basis less amounts received on account.

Depreciation

Depreciation is provided on all assets with the exception of land. It is calculated on a straight line basis by reference either to original cost (reduced by Government grants) or valuation and estimated useful life. In most instances the periods of estimated useful life used for this purpose are as follows:

Freehold and long leasehold buildings	40 years or 10 years as appropriate
Short leasehold buildings	The period of the leases
Plant and equipment	10 years
Motor vehicles	4 years

Oil exploration and production

In the case of Charterhouse Petroleum plc, an associated company engaged in oil exploration and production, substantially all its North Sea oil development expenditure is being depreciated on a unit of production basis on a prudent estimate of commercially recoverable reserves. Expenditure on unsuccessful wells and general exploration expenditure is being written off over 3 years.

Extraordinary items

Extraordinary items derive from events or transactions outside the ordinary activities of the group which are both material and not expected to recur frequently or regularly. They are shown separately in the consolidated profit and loss account together with attributable taxation.

Deferred taxation

Deferred taxation is provided on the liability method in respect of short term timing differences and other timing differences of a material amount which are expected to result in a taxation liability in the foreseeable future. Advance corporation tax which is expected to be recovered more than 12 months after the end of the financial year is also included in the deferred tax account.

No provision has been made for taxation which would arise in the event of distribution by overseas subsidiaries and associated companies of their retained profits and reserves.

Foreign currencies

Assets and liabilities and trading results in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the year. The sterling effect of translating the group's net overseas assets at the beginning of the year at closing rates of exchange is shown separately in the consolidated profit and loss account.

CONSOLIDATED PROFIT & LOSS ACCOUNT

£'000

For the year ended 31st December

Notes

1981

1980

Profit and loss account

Profit before interest payable			
Parent company & subsidiaries excluding the bank.....		14,776	12,984
Associated companies.....		10,449	6,637
• The bank		5,975	4,216
		<u>31,200</u>	<u>23,837</u>
Interest payable on short term borrowings.....	5	4,518	4,340
		<u>26,682</u>	<u>19,497</u>
Interest payable on long and medium term borrowings	5	4,096	3,376
		<u>22,586</u>	<u>16,121</u>
Profit before taxation		22,586	16,121
Taxation.....	6	11,307	4,265
		<u>11,279</u>	<u>11,856</u>
Profit after taxation		11,279	11,856
Attributable to minority shareholders.....		319	131
		<u>10,960</u>	<u>11,725</u>
Profit before extraordinary items		10,960	11,725
Profits/(losses) on currency translation.....		1,546	(1,121)
Extraordinary profits/(losses).....	7	(4,431)	5,829
		<u>8,075</u>	<u>16,433</u>
Profit attributable to shareholders		8,075	16,433
Dividends paid and proposed	8	7,688	5,680
		<u>387</u>	<u>10,753</u>
Retained profit for the year		387	10,753
• After transfer to inner reserve (Page 16)			

Earnings and dividends

		Pence	Pence
Earnings per ordinary share.....	9	7.12	9.64
Dividends per ordinary share.....	8	4.925	4.51

Movement on reserves

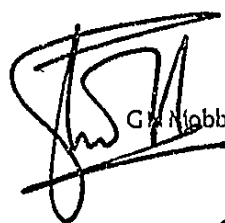
		£'000	£'000
At 31st December 1980		42,376	31,623
Restatement of asset values of a subsidiary acquired in the previous year		(3,834)	—
		<u>38,542</u>	<u>31,623</u>
Retained profit for the year		387	10,753
		<u>38,929</u>	<u>42,376</u>
At 31st December 1981	11	38,929	42,376

The Charterhouse Group plc and its subsidiaries

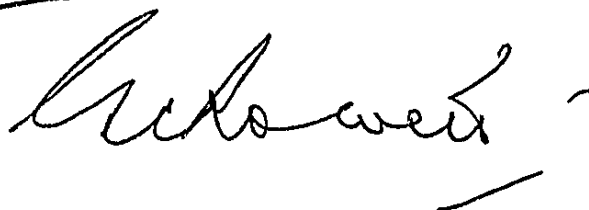
CONSOLIDATED BALANCE SHEET

£'000

31st December	Notes	1981	1980
Ordinary shareholders			
Ordinary share capital	10	38,002	37,669
Share premium	13	34,458	33,822
Reserves	11	38,929	42,376
		<u>111,389</u>	<u>113,867</u>
Preference shareholders			
Preference share capital	10	3,208	3,200
		<u>114,597</u>	<u>117,067</u>
Minority shareholders			
		2,273	463
Long and medium term loans			
	14	42,316	25,594
Deferred taxation			
	12	(743)	115
		<u>158,443</u>	<u>143,239</u>
Parent company and subsidiaries excluding the bank			
Fixed assets	17	22,524	23,018
Investments	18	14,028	9,246
Net current assets	19	18,873	18,168
Net premium on acquisitions	16	5,567	3,912
		<u>60,992</u>	<u>54,344</u>
Associated companies			
	20	35,315	29,509
The bank			
Net assets of Charterhouse Japhet plc	Page 21	61,517	58,767
Net premium on acquisition		619	619
		<u>62,136</u>	<u>59,386</u>
		<u>158,443</u>	<u>143,239</u>



G. Mobbs G. Rowett Directors



The Charterhouse Group plc

BALANCE SHEET OF THE PARENT COMPANY

£'000

31st December	Notes	1981	1980
Ordinary shareholders			
Ordinary share capital.....	10	38,002	37,669
Share premium.....	13	34,458	33,822
Reserves	11	2,809	5,596
		<u>75,269</u>	<u>77,087</u>
Preference shareholders			
Preference share capital.....	10	3,208	3,200
		<u>78,477</u>	<u>80,287</u>
Long and medium term loans.....	14	39,428	23,049
		<u>117,905</u>	<u>103,336</u>
Investments in subsidiaries			
Shares at cost less amounts written off.....		65,418	57,095
Amounts owed by subsidiaries.....		88,508	66,090
		<u>153,926</u>	<u>123,185</u>
Less: Amounts owed to subsidiaries.....		29,058	10,887
		<u>124,868</u>	<u>112,298</u>
Current assets			
Debtors.....		213	451
Bank balances.....		1,804	15
		<u>2,017</u>	<u>466</u>
Less:			
Current liabilities			
Creditors.....		578	820
Bank loans and overdrafts.....		948	3,235
Ordinary and preference dividends.....		4,509	4,210
Taxation.....		2,845	1,163
		<u>8,980</u>	<u>9,428</u>
Net current liabilities.....		(6,963)	(8,962)
		<u>117,905</u>	<u>103,336</u>

  G. M. Hobbs G. C. Rowett Directors

The notes and information on pages 16 to 34 form part of these accounts

CONSOLIDATED BALANCE SHEET OF THE BANK

£'000

31st December	Footnotes	1981	1980
Capital employed			
Share capital.....		42,000	42,000
Share premium account.....		10,000	10,000
Reserves.....		9,517	6,767
	A	<u>61,517</u>	<u>58,767</u>
Loan capital.....	B	4,961	8,933
		<u>66,478</u>	<u>67,700</u>
Current, deposit and other accounts including provisions and inner reserve.....		516,664	411,085
Amounts due to fellow subsidiaries.....		9,531	6,248
Acceptances for customers.....		66,091	55,771
Minority shareholders.....		13	358
		<u>658,777</u>	<u>541,162</u>
Employment of capital			
Balances with bankers, money at call and bullion.....		37,177	34,033
Treasury bills, bank certificates of deposit and bills discounted.....		56,079	92,617
British Government and local authority listed securities and yearling bonds.....		9,928	12,628
Money at short notice.....		46,614	34,448
Other loans to local authorities and banks.....		129,836	59,738
Investments Listed in Great Britain.....		5,553	3,351
Listed elsewhere.....		1,267	3,477
Unlisted.....		2,259	1,436
Loans, advances and other accounts.....		296,051	239,000
Amounts due from fellow subsidiaries.....		7,743	2,976
Liability of customers for acceptances.....		66,091	55,771
Trade investments.....		174	259
Investments in associated companies.....		5	1,428
		<u>658,777</u>	<u>541,162</u>

Footnotes

- A The net assets of the bank are included in the consolidated balance sheet of The Charterhouse Group plc on page 19.
- B This represents US\$9,500,000 Floating Rate Notes 1985. Interest is payable at a rate of 1/4 per cent per annum above the London inter-bank offered rate for six month Eurodollar deposits subject to a minimum rate of 6 per cent per annum. The Notes mature in August 1985.

The Charterhouse Group plc and its subsidiaries excluding the bank

SOURCE & APPLICATION OF FUNDS STATEMENT

£'000

For the year ended 31st December

Notes

1981

1980

Source of funds

Profit before taxation excluding the bank.....		16,611	11,905
Profits/(losses) on currency translation.....	B	1,546	(1,121)
Extraordinary profits/(losses).....		506	(950)
<i>Items not involving the movement of funds</i>			
Depreciation and other provisions.....		3,961	5,268
Profits of associated companies.....		(10,449)	(6,637)
		<u>12,175</u>	<u>8,465</u>
Sales of fixed assets.....		2,612	428
Sales of investments.....		2,744	1,496
Sales of associated companies.....		1,751	45
Dividends from the bank and associated companies.....	A	4,318	1,793
Sales of subsidiary companies.....	C	7,321	14,068
Ordinary and preference shares issued.....		977	37,364
		<u>31,898</u>	<u>63,659</u>

Application of funds

Additions to fixed assets.....		8,646	7,330
Additions to investments.....		3,016	2,678
Increase in investment in the bank.....		—	40,000
Investments in associated companies.....		4,337	1,377
Movements in working capital			
Stocks.....		(124)	5,026
Debtors.....		11,725	6,123
Creditors.....		(9,016)	(11,457)
Taxation paid and other taxation movements.....		2,768	4,951
Dividends paid			
To shareholders of the parent company...		7,289	5,216
To minority shareholders in subsidiaries....		191	39
Net movement in premium on acquisitions.....		—	(77)
Acquisition of subsidiary companies.....	D	4,942	2,966
		<u>33,774</u>	<u>64,172</u>

Funds movement

<i>Reduction in net funds</i>			
(Increase)/Decrease in long and medium term borrowings		(16,722)	9,317
Decrease in short term borrowings.....		3,055	653
Increase/(Decrease) in cash and bank balances.....		11,791	(10,483)
		<u>(1,876)</u>	<u>(513)</u>

The notes on page 23 form part of this statement

Notes to the Source & Application of Funds Statement

A Basis of preparation

The bank and associated companies have been excluded from this Statement except to the extent that they contribute to or use group funds.

Sales of investments, fixed assets and associated companies are shown at net book values. Profits and losses arising on such sales are included in profit before tax or extraordinary items.

B Profit on currency translation

The profit arising on translating the group's net overseas assets at the beginning of the year at closing rates of exchange was:

Fixed assets.....	203
Investments.....	282
Stocks.....	693
Debtors.....	537
Creditors.....	(793)
Taxation.....	(67)
Associated companies.....	1,097
Borrowings.....	(415)
Other adjustments.....	9
	<u>1,546</u>

C Subsidiaries sold

The effect on the group's funds of subsidiaries sold during the year was:

Net assets sold	
Fixed assets.....	3,149
Stocks.....	5,564
Debtors.....	3,250
Creditors.....	(2,563)
Taxation.....	(628)
Other adjustments.....	48
	<u>8,920</u>
Premium on acquisition.....	610
Loss on sales.....	(2,209)
	<u>7,321</u>
Funds generated	
Cash received.....	5,000
Deferred consideration receivable.....	1,300
Net borrowings of subsidiaries sold.....	1,021
	<u>7,321</u>

D Subsidiaries acquired

The effect on the group's funds of subsidiaries acquired during the year was:

Net assets acquired	
Fixed assets.....	399
Investments.....	4,510
Stocks.....	2,332
Debtors.....	2,739
Government stocks.....	738
Creditors.....	(6,349)
Taxation.....	(225)
Minority shareholders.....	(1,508)
Other adjustments.....	(4)
	<u>2,632</u>
Premium on acquisition.....	2,310
	<u>4,942</u>
Share capital and funds applied	
Shares issued.....	719
Cash paid.....	5,071
Net cash of subsidiaries acquired.....	(848)
	<u>1,942</u>

NOTES TO THE ACCOUNTS

£'000

1 Group profit is stated

After charging:	1981	1980
• Depreciation of fixed assets (Note 17)	3,778	5,007
Research and development expenditure	264	247
Hire of plant and machinery	1,598	1,542
Auditors' remuneration	588	537
And after crediting:		
• Investment income (including related tax credits) from:		
Listed investments	107	71
Unlisted investments	1,361	1,218
• Excluding the bank		
Turnover		
Information on turnover is provided in the Directors' report on pages 12 and 13		

2 Directors' emoluments

Present directors		
Emoluments of the directors of The Charterhouse Group plc		
Fees as directors	43	29
Remuneration as executives, including pension contributions	463	373
Payment to a director following retirement from executive office	20	—
	<u>526</u>	<u>402</u>
Former directors		
Pensions paid to former directors and to dependants of deceased directors (1980—including payments to and on behalf of a former director of £125,000)		
	33	155
Particulars of emoluments excluding pension contributions		
Chairman	12	10
Highest paid director	70	60
Other directors		
£	£	Number of directors
1—5,000		5
5,001—10,000		1
10,001—15,000		1
20,001—25,000		2
35,001—40,000		1
40,001—45,000		1
45,001—50,000		1
50,001—55,000		2

3 Loans to directors

Throughout 1981 there were outstanding housing loans to Mr J A Downes of £5,000 at 4½% per annum and to Mr E G Cox of £3,000 at 4½% per annum and £7,500 at Charterhouse Japhet plc base rate plus ½% per annum.

At 1st January 1981 there was an interest free quasi-loan to Mr J A Downes of £914. This was repaid during 1981.

At 31st December 1981 there were outstanding loans from Charterhouse Japhet plc to 3 directors totalling £54,947 and a quasi-loan to another director in the form of a guarantee of £21,000. At 31st December 1981 there was also a quasi-loan of £673 from a subsidiary to an officer of the company.

4 Employees' emoluments

Number of employees in the group whose duties were performed wholly or mainly in the United Kingdom and whose emoluments excluding pension contributions exceeded £20,000

£	£	Number of employees
20,001—25,000		38
25,001—30,000		24
30,001—35,000		15
35,001—40,000		9
40,001—45,000		1
45,001—50,000		1

£'000

5 Interest payable

(excluding interest payable by the bank and associated companies)

On loans other than bank loans	1981	1980
Repayable wholly or in part after 5 years	858	761
Repayable wholly within 5 years	279	417
On bank loans and overdrafts	<u>7,477</u>	<u>6,538</u>
	<u>8,614</u>	<u>7,716</u>
Comprising		
Interest on short term borrowings	4,518	4,340
Interest on long and medium term loans	<u>4,096</u>	<u>3,376</u>
	<u>8,614</u>	<u>7,716</u>

6 Taxation

United Kingdom taxation		
Corporation tax based on the profit for the year	124	418
• Corporation tax relief	—	(4,222)
Taxation attributable to UK dividends received	272	221
Deferred corporation tax	(82)	894
Deferred petroleum revenue tax	—	1,614
Advance corporation tax written off	2,728	1,305
Relief for foreign taxation	<u>(248)</u>	<u>(188)</u>
	<u>2,794</u>	<u>42</u>
Foreign taxation		
Company taxation	2,859	1,457
Deferred taxation	<u>(147)</u>	<u>28</u>
	<u>2,712</u>	<u>1,485</u>
Associated companies		
Share of company taxation – United Kingdom	4,509	1,871
Foreign	<u>1,292</u>	<u>867</u>
	<u>5,801</u>	<u>2,738</u>
Total	<u>11,307</u>	<u>4,265</u>

- Representing the value of corporation tax losses (at 52%) utilised in 1980 in relieving the tax liability on the extraordinary profits arising on the sale of one subsidiary and the flotation of another.

The charge for corporation tax assumes a rate of 52% (1980 – 52%). If tax had been provided on a full deferral basis the charge for the year would not have been significantly higher.

At 31st December 1981 the UK tax losses of the group excluding the bank carried forward were estimated to be in excess of £10 million and in addition there were substantial tax losses carried forward by the bank.

Advance corporation tax amounting to £9,361,000 written off in 1981 and earlier years is available for offset against future UK corporation tax liabilities.

7 Extraordinary profits/(losses)

Losses less profit on sales of subsidiaries	(3,291)	2,065
Net profit on termination and reorganisation of activities	174	(509)
Amount written off premium on acquisition of subsidiaries	(45)	(966)
Profit on flotation of subsidiary	—	5,388
Profit on purchase and cancellation of loan stock	268	64
Provision for losses on property transactions regarded as being outside the group's ordinary activities	(1,500)	—
Other losses	<u>(37)</u>	<u>(213)</u>
	<u>(4,431)</u>	<u>5,829</u>

The above items are inclusive of an attributable tax credit of £71,000 (1980 – tax charge £4,232,000 and ACT written off £2,976,000)

NOTES TO THE ACCOUNTS

continued

£'000

8 Dividends

	1981 Pence per share	1980	1981	1980
Ordinary dividends				
Interim – paid 30th September 1981	1.925	1.75	2,956	2,625
Final proposed	<u>3.000</u>	<u>2.76</u>	<u>4,567</u>	<u>4,153</u>
	<u>4.925</u>	<u>4.51</u>	<u>7,523</u>	<u>6,778</u>
Less:				
Proportion of the 1980 dividend on the shares issued to the former shareholders of Keyser Ullmann Holdings Limited that related to the period prior to acquisition, transferred to cost of investment			—	1,255
			<u>7,523</u>	<u>5,523</u>
Preference dividends paid and accrued				
4% Cumulative preference shares of £1 each			40	40
5.75% Cumulative second preference shares of £1 each			<u>125</u>	<u>117</u>
			<u>165</u>	<u>157</u>
Total			<u>7,688</u>	<u>5,680</u>

9 Earnings per share

Earnings per share are calculated on earnings of £10,795,000 (1980 – £11,568,000) and 151,572,760 ordinary shares, the weighted average number of shares in issue throughout the year ended 31st December 1981 (1980 – 120,045,594). The 1,406,500 incentive scheme ordinary shares (½p paid) in issue have been taken into account in this calculation only to the extent that they have been paid up.

10 Share capital

	1981 Authorised	1980	1981 Issued	1980 Issued
Ordinary share capital				
Ordinary shares of 25 pence each	50,000	50,000		
Fully paid			37,995	37,661
½p paid			<u>7</u>	<u>8</u>
	<u>50,000</u>	<u>50,000</u>	<u>38,002</u>	<u>37,669</u>
Preference share capital				
4% Cumulative preference shares of £1 each	1,000	1,000	1,000	1,000
5.75% Cumulative second preference shares of £1 each	<u>4,000</u>	<u>4,000</u>	<u>2,208</u>	<u>2,200</u>
	<u>5,000</u>	<u>5,000</u>	<u>3,208</u>	<u>3,200</u>
Number of ordinary shares				
Ordinary shares of 25 pence each	200,000,000			
Fully paid			151,982,090	
½p paid			<u>1,406,500</u>	
	<u>200,000,000</u>		<u>153,388,590</u>	
Increase in the year				
The increase in the fully paid ordinary share capital arises as follows				
Issued as consideration for acquisitions		Number of shares	£'000	
Issued on the exercise of share options		825,959	206	
Issued on paying up ½p paid shares		461,912	115	
		<u>48,500</u>	<u>12</u>	
		<u>1,336,371</u>	<u>333</u>	

£'000

10 Share capital continued

Share options	Pence per share	Number of shares
<i>There are outstanding options to acquire ordinary shares under the company's Share Option Scheme exercisable:</i>		
Between 10th October 1977 and 9th October 1981.....	32.2	—
Between 1st April 1979 and 31st March 1983.....	50.5	149,200
Between 2nd August 1981 and 1st August 1985.....	66.0	383,700
Between 24th September 1984 and 23rd September 1988.....	70.0	2,549,000
Between 23rd November 1984 and 22nd November 1988.....	72.0	131,000
		<u>3,212,900</u>
<i>And under Savings Related Share Option Schemes exercisable:</i>		
Between 14th June 1983 and 13th June 1985.....	59.0	396,731
Between 1st September 1984 and 31st August 1986.....	61.0	126,350
Between 3rd September 1985 and 2nd September 1987.....	92.0	92,923
Between 27th August 1986 and 26th February 1989.....	86.0	307,533
		<u>4,136,437</u>

11 Reserves

	1981	Group 1980	1981	Company 1980
<i>Analysis of reserves</i>				
Reserves available for distribution.....	24,918	30,684	1,016	3,803
Reserves of associated companies.....	8,147	5,745	—	—
Reserves not available for distribution.....	5,864	5,947	1,793	1,793
	<u>38,929</u>	<u>42,376</u>	<u>2,809</u>	<u>5,596</u>
<i>Held by</i>				
The company.....	2,809	5,596	2,809	5,596
The bank.....	9,767	7,017	—	—
Other subsidiaries.....	18,206	24,018	—	—
Associated companies.....	8,147	5,745	—	—
	<u>38,929</u>	<u>42,376</u>	<u>2,809</u>	<u>5,596</u>

The profit for the year dealt with in the accounts of the company amounted to £8,735,000 (1980 — £7,068,000).
The profit for the year of the bank after taxation and transfer to inner reserve amounted to £5,750,000
(1980 — £4,008,000).

12 Deferred taxation

The group's potential deferred tax liability is analysed below. In accordance with its accounting policy, provision is made only if any part of such potential liability is expected to result in an actual tax liability in the foreseeable future.

	Potential liability	Amount provided	Not provided
Accelerated capital allowances.....	6,088	—	6,088
Provisions against investments.....	(390)	—	(390)
Other timing differences and corporation tax losses.....	(3,548)	(314)	(3,234)
Advance corporation tax payments recoverable.....	(1,240)	(429)	(811)
At 31st December 1981.....	<u>910</u>	<u>(743)</u>	<u>1,653</u>
At 31st December 1980.....	<u>1,216</u>	<u>115</u>	<u>1,101</u>

The taxation liability which would arise if the group's properties were sold at their balance sheet values would be extinguished by other available tax losses (in excess of those included above) or 'rolled over' into other freehold and long leasehold properties.

13 Share premium account

At 31st December 1980.....	33,822
<i>Arising on issues of shares during the year (net of costs)</i>	
As consideration for acquisition.....	505
On the exercise of share options.....	111
On paying up 1/2p paid shares.....	20
At 31st December 1981.....	<u>34,458</u>

NOTES TO THE ACCOUNTS

continued

£'000

Long and medium term loans

	1981	Group 1980	1981	Company 1980
Loans other than bank loans				
Repayable wholly or in part after 5 years				
7% Debenture stock 1986/91 – secured	4,622	5,255	4,622	5,255
7½ % Debenture stock 1988/93 – secured	–	600	–	–
8½ % Unsecured loan stock 1990/95	3,208	700	3,208	700
7½ % Unsecured loan stock 1986/91	–	1,250	–	–
7% Unsecured loan stock 1985/90	–	639	–	–
• Other secured loans	820	839	–	–
• Other unsecured loans	1,681	53	–	–
	<u>10,331</u>	<u>9,336</u>	<u>7,830</u>	<u>5,955</u>
Repayable wholly within 5 years				
Secured	–	9	–	–
Unsecured	33	228	–	–
	<u>33</u>	<u>237</u>	<u>–</u>	<u>–</u>
Bank loans				
• Bank loans and overdrafts	44,901	31,524	32,546	20,329
Less: Bank overdrafts	11,155	12,704	698	3,235
	<u>33,746</u>	<u>18,820</u>	<u>31,848</u>	<u>17,094</u>
Sub-totals	44,110	28,393	39,678	23,049
Less: Repayments due within 12 months	1,794	2,799	250	–
Totals	<u>42,316</u>	<u>25,594</u>	<u>39,428</u>	<u>23,049</u>

- These loans carry interest at an average rate of 9.1%. They are repayable at par and are, in the main, being repaid by annual instalments.
- Of the bank loans and overdrafts £5,129,000 (1980 – £5,798,000) is secured.

Analysis of long, medium and short term borrowings

	Bank 1981	Other 1981	Bank 1980	Other 1980
Repayable in:				
One year or less	12,899	196	15,451	699
Between one and two years	5,784	24	1,067	34
Between two and five years	20,896	80	14,846	239
More than five years	5,322	10,210	160	9,248
	<u>44,901</u>	<u>10,510</u>	<u>31,524</u>	<u>10,220</u>
Total borrowings	<u>55,411</u>		<u>41,744</u>	
Comprising:				
Long and medium term borrowings (Note 14)	42,316		25,594	
Short term borrowings (Note 19)	13,095		16,150	
	<u>55,411</u>		<u>41,744</u>	

Net premium on acquisitions

At 31st December 1989	3,912
Acquisitions	2,310
Disposals	(610)
Amount written off as an extraordinary item (Note 7)	(45)
At 31st December 1981	<u>5,567</u>

17 Fixed

18 Listed

£'000

17 Fixed assets

	Freehold property	Leasehold property 50 years or more	Leasehold property less than 50 years	Plant equipment & vehicles	Total
Cost or valuation					
31st December 1980	7,759	2,616	1,370	28,474	40,219
Additions	615	576	2,240	6,325	9,756
Reclassified as investments	(393)	(28)	(122)	—	(543)
Disposals including sales of subsidiaries	(856)	(848)	(1,322)	(7,834)	(10,860)
Exchange and other adjustments	923	(818)	13	212	330
31st December 1981	8,048	1,498	2,179	27,177	38,902
Consisting of: Assets at valuation	5,973	1,202	—	—	7,175
Assets at cost	2,075	296	2,179	27,177	31,727
	8,048	1,498	2,179	27,177	38,902
Depreciation					
31st December 1980	474	196	705	15,826	17,201
Charged to profit and loss account	148	101	228	3,301	3,778
Reclassified as investments	—	—	(122)	—	(122)
Disposals including sales of subsidiaries	(42)	(87)	(303)	(5,112)	(5,544)
Exchange and other adjustments	35	(30)	448	612	1,065
31st December 1981	615	180	956	14,627	16,378
Depreciation on: Assets at valuation	435	162	—	—	597
Assets at cost	180	18	956	14,627	15,781
	615	180	956	14,627	16,378
Net book value at 31st December 1981					
Consisting of: Assets at valuation	5,538	1,040	—	—	6,578
Assets at cost	1,895	278	1,223	12,550	15,946
	7,433	1,318	1,223	12,550	22,524
Net book value at 31st December 1980	7,285	2,420	665	12,648	23,018

The freehold and long leasehold property valuations referred to above were carried out in 1977.

18 Listed and unlisted investments

		Market value		At cost less provisions & amounts written off	
		1981	1980	1981	1980
Listed					
Ordinary shares	Great Britain	475	535	244	285
	Elsewhere	228	31	114	18
Loans	Great Britain	10	—	12	—
		713	566	370	303
Unlisted		Directors' valuation			
Ordinary shares	Great Britain	6,540	4,659	5,103	2,788
	Elsewhere	5,179	3,408	4,419	3,141
Preference shares	Great Britain	1,061	1,252	819	966
	Elsewhere	389	376	389	376
Loans	Great Britain	343	370	343	370
	Elsewhere	51	806	51	122
Property	Great Britain	2,457	1,137	2,457	1,137
	Elsewhere	77	43	77	43
		16,097	12,051	13,658	8,943
Totals		16,810	12,617	14,028	9,246

NOTES TO THE ACCOUNTS

continued

£'000

19 Net current assets

	1981	1980
Current assets		
Stocks and work-in-progress	33,907	37,263
Trade and other debtors	46,785	35,674
Government stocks (market value £841,000)	841	—
● Cash and bank balances	13,886	2,095
	<u>95,419</u>	<u>75,032</u>
Less		
Current liabilities		
Trade and other creditors	54,942	35,572
Taxation	3,900	932
○ Bank overdrafts and short term loans	13,095	16,150
Ordinary and preference dividends	4,609	4,210
	<u>76,546</u>	<u>56,864</u>
Net current assets	<u>18,873</u>	<u>18,168</u>

- Including balances of £6,539,000 with the bank, Charterhouse Japhet plc
- Including borrowings of £2,001,000 from the bank, Charterhouse Japhet plc

20 Investments in associated companies

Carrying value

Listed		
Shares at cost	16,639	16,630
Share of post-acquisition retained profits	<u>3,786</u>	<u>2,603</u>
	<u>20,425</u>	<u>19,233</u>
Unlisted		
Shares and loans at cost	10,529	7,134
Share of post-acquisition retained profits	<u>4,361</u>	<u>3,142</u>
	<u>14,890</u>	<u>10,276</u>
Totals	<u>35,315</u>	<u>29,509</u>

Current value

Listed at market value	38,792	45,211
Unlisted at directors' valuation	<u>22,664</u>	<u>10,276</u>
	<u>61,456</u>	<u>55,487</u>

Net assets by company

Charterhouse Petroleum plc	15,952	15,075
Spring Grove PLC	4,388	4,073
Charterhouse Development Capital Limited	4,648	4,676
All other associated companies	<u>10,242</u>	<u>5,600</u>
	<u>35,230</u>	<u>29,424</u>
Net premium on acquisition	<u>85</u>	<u>85</u>
	<u>35,315</u>	<u>29,509</u>

The net assets shown above are based on the latest available accounts of the companies concerned made up to the date of the group accounts or to dates not more than three months earlier.

In addition to the above investments in associated companies the bank, Charterhouse Japhet plc, has made advances to these companies of £8,777,000 (1980 – £6,783,000) and has given guarantees totalling £4,500,000 (1980 – £4,810,000).

Further details of the group's principal associated companies are shown on page 33.

£'000

21 Capital commitments

<i>Capital commitments not provided for in the accounts</i>		1981	1980
Fixed assets: Contracts placed		959	1,254
Authorised only.....		716	583
Investments: Committed		4,733	4,257
Authorised only.....		1,389	1,171
		<u>7,797</u>	<u>7,265</u>

22 Contingent liabilities

The group (excluding the bank) had contingent liabilities in respect of bills discounted, guarantees, claims and indemnities amounting to £3,511,000 (1980 – £1,868,000). The company had given an indemnity relating to borrowings and indemnities of £10,864,000 (1980 – £14,958,000) assumed by subsidiaries of an associated company, Charterhouse Petroleum plc, of which £5,890,000 (1980 – £9,414,000) was covered by counter indemnities.

The company also had contingent liabilities in respect of guarantees and indemnities not relating to subsidiaries' borrowings amounting to £657,000 (1980 – £567,000) and in respect of guarantees and indemnities of subsidiaries' borrowings of £968,000 (1980 – £996,000).

The bank had commitments in the ordinary course of business in respect of confirmed credits, bonds, guarantees covered by customers' engagements, underwriting and forward contracts for purchases and sales of foreign currencies and bullion. There was also a contingent liability amounting to £410,000 (1980 – £418,000) in respect of an indemnity given to the purchaser of a trade investment.

PRINCIPAL SUBSIDIARY COMPANIES

31st December 1981

Principal activity

Management companies

Charterhouse Corporate Investments Limited	Making and holding investments
Charterhouse Development Limited	Providing development capital in the United Kingdom
Charterhouse Development Canada Limited <i>Canada</i>	Providing development capital in Canada
Charterhouse Development (France) Limited	Providing development capital in France
Charterhouse Development Investments Limited	Making and holding investments
Charterhouse Group International Inc <i>USA</i>	Providing development capital in the USA
Charterhouse Japhet plc	Merchant banking
Charterhouse Securities Limited	Holding other development capital investments

Operating subsidiaries

United Kingdom

Alenco Hilyn Limited	Manufacturing high pressure hydraulic hose products
The Cartner Group Limited 90%	Providing design and drawing office services
Chambers and Newman Limited 75.1%	Insurance broking
Charcon Products Limited	Manufacturing concrete kerb and paving
Charcon Tunnels Limited	Manufacturing concrete tunnel linings
o Charterhouse & Associates (Aberdeen) Limited 75.2%	Property development and dealing
o Dyce Property Company Limited	Property development
Hill Construction Company (Engineers) Limited	Property development
Hireplus Limited	Hiring power and hand tools
Kartret Special Panels Limited	Manufacturing control and instrumentation panels
Kay & Co (Engineers) Limited	Manufacturing low pressure pipe couplings
M&C Cash & Carry Limited 75%	Providing a wholesale cash and carry service
Napcolour Limited	Providing a film processing service
Newage Engineers Limited	Manufacturing AC generators
Newage Marine Propulsion Limited	Manufacturing marine propulsion drive lines
Newage Transmissions Limited	Manufacturing gearboxes and axles
PTS Tool Specialists Limited	Distributing power and hand tools
Southern & Redfern Limited	Electrical and refrigeration engineering

France

Ermeto SA	Manufacturing industrial and hydraulic components
Expand SA	Group of service companies in France
Bansard International SA 60%	International freight forwarding
Danpex SA	Service company for Expand group
Delta Communication SARL	Specialist advertising agency for chemists' products
Media Medical (MED) GIE 55%	Specialist advertising space buying agency
Richard Nelkne Publicité SA	Pharmaceutical point of sale advertising
Séléphar SA 65%	Recruiting pharmaceutical company personnel

Other countries

Alentec AB <i>Sweden</i>	Marketing hydraulic and lubrication components
Charcon Ringvaart BV <i>Holland</i>	Manufacturing concrete piling

Footnotes

All companies are wholly owned except where indicated.

o Registered in Scotland.

All companies are incorporated in Great Britain except where indicated. Except where stated each company operates principally in its country of incorporation.

ASSOCIATED COMPANIES & OTHER INVESTMENTS

31st December 1981

Principal activity

Associated companies

United Kingdom

Charterhouse Development Capital Limited 46.7%	Providing development capital in the United Kingdom
■ Charterhouse Petroleum plc 48.4%	Oil exploration and production
■ Spring Grove PLC 40%	Providing a workwear and cabinet towel rental service
□ United Electronic Holdings plc 25.9%	Distributing electronic components and hi-fi accessories
USA	
Carleton Woolen Mills Inc 49%	Manufacturing woollen fabric
□ Dreyer's Grand Ice Cream Inc 20.9%	Manufacturing and distributing ice cream products
Joseph Kirschner Company Inc 32.2%	Manufacturing meat products
Leisure Enterprises Inc 49.9%	Distributing garden products
□ Paco Pharmaceutical Services Inc 28.2%	Contract packaging for pharmaceuticals
Perfect Fit Industries Inc 49.5%	Manufacturing household textile furnishings

Other investments

United Kingdom

□ Acsis Jewellery plc 24%	Manufacturing and retailing jewellery
Albaford (Castle Kitchens Group) Limited 27.2%	Distributing kitchen furniture
■ The Beauford Group PLC 17.2%	Manufacturing heavy plant and lathes
J Bradbury & Co (Saddleworth) Limited 35%	Manufacturing woollen fabric
■ Brickhouse Dudley Limited 3.1%	Manufacturing manhole and inspection covers
Brisbane Motorway Group Limited 43.3%	Manufacturing and retailing remould tyres
● Fredk H Burgess Limited	Distributing agricultural equipment
PJ Burke Limited 45%	Civil engineering
CAP Group Limited 14.7%	Providing computer software services
Crossroads Commercials Limited 30%	Distributing Volvo commercial vehicles
Cygnat Guild Communications Limited 16.7%	Producing sponsored films
● Dagenham Motors Limited 27.3%	Ford main dealer
■ The Elliott Group of Peterborough Limited 3.2%	Manufacturing relocatable timber buildings
Engineering Developments (Farnborough) Limited 25%	Manufacturing shrink wrapping machinery
Exeter Trust Limited 33.3%	Providing first mortgage finance
Faulkner Sports Limited 20%	Distributing leisure goods
● Filtration & Transfer Limited 20%	Manufacturing heat exchangers and filtration equipment
FSP (Filtration & Separation Products) Limited 20%	Manufacturing filtration systems
Gulliver Foods Limited 17.7%	Food processing and distribution holding company
● The Hatton Group Limited 30%	Managing retail optical practices
● The Haymarket Publishing Group (1979) Limited	Publishing magazines and controlled circulation newspapers
Lees-Newsome Limited 25%	Manufacturing household products and surgical dressings
London Broadcasting Company Limited 15.6%	Commercial broadcasting
Morceau (Fire Protection) Limited 33.3%	Fire protection contractors
James Morrell Limited 20%	Economic forecasting
Munford & White Limited 4%	Manufacturing security systems
Nelson Hurst & Marsh (Holdings) Limited 29.9%	Lloyd's insurance brokers
● Ondura Limited 30%	Rubber compounding
Panelite Concrete Limited 40%	Manufacturing pre-cast concrete garages
● PB Power Tools (Hire & Sales) Limited 30%	Hiring tools and construction equipment

Continued on page 34

OTHER INVESTMENTS

continued

31st December 1981

Principal activity

United Kingdom continued

J & F Pool (Holdings) Limited 35.5%	Metal perforating and general engineering
• PWS Dental Laboratory Limited 20%	Manufacturing dental products
• William F Rees Limited 29.3%	Sewer and tunnelling specialists
RH Freight Services Limited 28.5%	Packaging, shipping and freight forwarding
Security Arrangements Group Limited 25%	Security guards and mobile patrols
Sesco (Holdings) Limited 35.7%	Factoring burglar alarm equipment
• South London Press (Holdings 1980) Limited	Newspaper publishing and printing
• Technical Panel Holdings Limited 42%	Manufacturing panels for transport containers
Textile Wallcoverings International Limited 4%/11.9%	Supplying textured wallcoverings
Vinpol Limited 20%	Polyvinyl chloride compounding
• Wogen Resources Limited	Dealing in non-precious metals
■ Woodrow Wyatt Holdings PLC 11%	Commercial printing
• The Wright Dental Group Limited 39.2%	Manufacturing dental products
J & S Wylde Limited 30%	Manufacturing ophthalmic lenses
Canada	
Croydon Furniture Systems Inc 24%	Manufacturing office furniture
• Kinburn Capital Corporation Limited 2.5%	Holding company for high technology subsidiaries
Kingston Spinners Limited 15%	Converting fibre into carpet yarn
Peregrine Petroleum Limited 10.9%	Oil and gas exploration and production
IP Sharp Associates 6.7%	Computer timesharing and contract programming
France	
Etablissements Boulanger Frères SA 10%	Retailing household appliances
Cartonnages de Luxe Marcel Sailliard SA 12%	Manufacturing packaging for the perfume industry
Cie Française de Traitements de Surface SA 10%	Metal plating
Cie Française d'Expertises et de Négociations SA 12%	Financial services
Citergaz SA 7.8%	Manufacturing butane and propane cylinders and tanks
Eurosoft SA 12.5%	Providing computer software services
Financière de Développement et de Conseil SA 12%	Investing in small companies in France
Groupelec Distribution SA 19.1%	Electrical wholesalers
Mécanique, Industrie, Services SA 25%	Transport company
Mercure SA 20%	Property development
Etablissements Ollier SA 30%	Shopfitting
La Pierre Liquide SA 30%	Manufacturing facing compounds for the building industry
Rockall France SA 25%	Manufacturing animal identification tags
Savam Holding SA 5%	Transport company
Sté Industrielle de Manutention Acier et Plastiques SA 25%	Mail order sales of industrial products
Transports et Distribution Pierre Rouch SA 25%	Transport company
Transports Rouch SA 25%	Transport company

Footnotes

The percentage of ordinary share capital owned by the group is printed in black. The percentage owned by Charterhouse Development Capital Limited (an associated company in which the group holds 46.7%) is shown in blue.

- The group has holding in various classes of loan and preference capital in these companies.
- Charterhouse Development Capital Limited has holdings in various classes of loan and preference capital in these companies.

All companies are incorporated in Great Britain except where indicated. Each company operates principally in its country of incorporation.

- Listed companies.
- Companies with publicly traded shares.
- Registered in Scotland.

BANKING SUBSIDIARIES

For the purposes of Article 104 of the company's Articles of Association the companies listed below are designated 'banking subsidiaries'.

Albortreen Limited
Boravale Properties Limited
Central Assets Management Limited
Charterhouse Japhet plc
Charterhouse Japhet Bank and Trust International Limited
Charterhouse Japhet Credit Limited
Charterhouse Japhet Currency Management Limited
Charterhouse Japhet Distributor Finance Limited
Charterhouse Japhet Export Credit Limited
Charterhouse Japhet Export Finance Limited
Charterhouse Japhet Finance Limited
Charterhouse Japhet Financial Services Limited
Charterhouse Japhet International Finance BV
Charterhouse Japhet International Holdings Limited
Charterhouse Japhet Investment Management Limited
Charterhouse Japhet Investment Management (USA) Limited
Charterhouse Japhet (Jersey) Limited
Charterhouse Japhet (Leasing) Limited
Charterhouse Japhet (Midlands) Limited
Charterhouse Japhet (Northern) Limited
Charterhouse Japhet (Scotland) Limited
Charterhouse Japhet (Suisse) SA
County Credit Finance Limited
Dalbar Investments Limited
Dennington Homes (Southern) Limited
Exchange Management Limited
Ingramwood Insurance Brokers Limited
International Maritime Finance Limited
Keyser Ullmann Pensions Management Limited
Keyser Ullmann Pensions Trustees Limited
Mikos AG
Poole Holland Limited
Second Throgmorton Secured Growth Trust Limited
SJ Nominees Limited
St James' County Credit (Leasing) Limited
VC Lease Management Limited
Volunteer Credit Limited
Volunteer Finance Limited
Volunteer Marine Finance Limited

FIVE YEAR SUMMARY 1977-81

	1977	1978	1979	1980	1981
Consolidated Balance Sheet					
Capital employed					
Ordinary share capital.....	22,929	23,063	24,542	37,669	38,002
Share premium.....	9,492	9,550	11,178	33,822	34,458
Reserves.....	24,398	25,436	31,516	42,376	38,929
	<u>56,819</u>	<u>58,049</u>	<u>67,236</u>	<u>113,867</u>	<u>111,389</u>
Preference share capital.....	2,862	2,862	2,862	3,200	3,208
Minority shareholders.....	1,619	2,278	184	463	2,273
Long and medium term loans.....	28,544	32,547	34,911	25,594	42,316
Deferred taxation.....	(218)	(1,199)	(286)	115	(743)
	<u>89,626</u>	<u>94,537</u>	<u>104,907</u>	<u>143,239</u>	<u>158,443</u>
Employment of capital					
Parent company and subsidiaries excluding the bank.....	73,727	76,654	76,793	54,344	60,992
Associated companies.....	4,658	5,993	12,136	29,509	35,315
The bank.....	11,241	11,890	15,978	59,386	62,136
	<u>89,626</u>	<u>94,537</u>	<u>104,907</u>	<u>143,239</u>	<u>158,443</u>
Consolidated Profit and Loss Account					
Profit before interest payable					
Parent company and subsidiaries excluding the bank.....	10,711	14,068	16,387	12,984	14,776
Associated companies.....	1,267	1,479	2,195	6,637	10,449
The bank after transfer to inner reserve.....	1,698	954	1,800	4,216	5,975
	<u>13,676</u>	<u>16,501</u>	<u>20,382</u>	<u>23,837</u>	<u>31,200</u>
Interest payable.....	5,170	6,095	8,236	7,716	8,614
Profit before taxation.....	<u>8,506</u>	<u>10,406</u>	<u>12,146</u>	<u>16,121</u>	<u>22,586</u>
Profit after taxation before extraordinary items.....	<u>5,161</u>	<u>6,456</u>	<u>8,824</u>	<u>11,725</u>	<u>10,960</u>
Earnings per ordinary share.....	pence 5.73	pence 6.86	pence 9.25	pence 9.64	pence 7.12
Dividends per ordinary share.....	3.35	3.69	4.10	4.51	4.93

Footnote

The above figures have been taken from the published accounts of the group adjusted for purposes of comparability. The accounts for 1977 were for a financial year ended 30th September. The audited accounts for 1978 were for 15 months ended 31st December 1978; the figures shown above are for 12 months ended 31st December 1978 and are unaudited.

The Charterhouse Group plc and its subsidiaries

CURRENT COST ACCOUNTS

Basis of preparation

The current cost accounts on pages 37-40 have been prepared in accordance with the Statement of Standard Accounting Practice for Current Cost Accounting (SSAP 16) except that the results and net assets of the bank, Charterhouse Japhet plc and its subsidiaries, have been incorporated on an historical cost basis.

The Accepting Houses Committee, of which Charterhouse Japhet is a member, does not support SSAP 16 on the grounds that it is inappropriate to adjust historical cost profits which have themselves been arrived at after making undisclosed transfers to inner reserve. Accordingly it has been included, as stated above, on an unadjusted historical cost basis.

Accounting policies

The group's accounting policies are followed except where they are inconsistent with current cost principles as described below.

Overseas subsidiaries

The current cost accounts of overseas subsidiaries are adjusted using local consumer price indices. Profits and losses resulting from the currency translation of net assets of overseas subsidiaries are dealt with in the current cost reserve.

Extraordinary items

Extraordinary profits and losses on the sales of subsidiaries are calculated using their current cost net asset value at the dates of disposal.

Associated companies

The results of associated companies are adjusted to a current cost basis using either their own published current cost accounts or information supplied by them.

Unlisted investments

Unlisted investments are included in the current cost balance sheet at the lower of cost, adjusted by reference to local consumer price indices, and directors' valuation.

AUDITORS' REPORT

To the members of The Charterhouse Group plc

We have examined the current cost accounts set out on pages 37-40. In our opinion the accounts have been properly prepared in accordance with the policies and methods described therein, to give the information required by Statement of Standard Accounting Practice No. 16 in respect of The Charterhouse Group plc and its subsidiaries excluding the bank.

Price Waterhouse
Ernst & Whinney

Chartered Accountants

8th April 1982

The Charterhouse Group plc and its subsidiaries

CONSOLIDATED CURRENT COST PROFIT & LOSS ACCOUNT

£'000

For the year ended 31st December

Notes

1981

1980

Profit before interest payable as shown by the historical cost accounts		
Parent and subsidiary companies	14,776	12,984
Associated companies	10,449	6,637
	25,225	19,621
Current cost operating adjustments		
Parent and subsidiary companies	1 5,944	6,045
Associated companies	1,388	690
Current cost operating profit	17,893	12,886
Interest payable	8,614	7,716
	9,279	5,170
Gearing adjustment	2 2,314	2,303
Current cost profit before taxation	11,593	7,473
Taxation	11,082	4,057
	511	3,416
Minority shareholders	283	113
Current cost profit after taxation of the group excluding the bank	228	3,303
Historical cost profit of the bank after taxation and transfer to inner reserve	5,750	4,008
	5,978	7,311
Extraordinary profits/(losses)	3 (5,049)	3,398
	929	10,709
Dividends paid and proposed	7,688	5,680
Retained profit/(loss) for the year	(6,759)	5,029

Pence

Earnings per ordinary share		
The group excluding the bank on a current cost basis	0.15	2.69
The bank on an historical cost basis	3.69	3.27
	3.84	5.96
Dividends per ordinary share	4.925	4.51

£'000

At 31st December 1980	31,563	26,534
Restatement of asset values of a subsidiary acquired in the previous year	(3,834)	—
	27,729	26,534
Retained profit/(loss) for the year	(6,759)	5,029
At 31st December 1981	20,970	31,563

The notes on pages 37 and 40 form part of these accounts

The Charterhouse Group plc and its subsidiaries

CONSOLIDATED CURRENT COST BALANCE SHEET

£'000

31st December	Notes	1981	1980
Capital employed			
Ordinary shareholders			
Ordinary share capital.....		38,002	37,669
Share premium.....		34,458	33,822
Current cost reserve.....	5	31,973	25,723
Other reserves.....		20,970	31,563
		<u>125,403</u>	<u>128,777</u>
Preference shareholders			
Preference share capital.....		3,208	3,200
		<u>128,611</u>	<u>131,977</u>
Minority shareholders.....		2,440	522
Long and medium term loans.....		42,316	25,594
Deferred taxation.....		(743)	115
		<u>172,624</u>	<u>158,208</u>

Employment of capital

Parent company and subsidiaries excluding the bank			
Fixed assets.....	4	28,959	30,153
Investments.....		16,297	12,138
Net current assets.....		19,071	18,455
Net premium on acquisitions.....		5,567	3,912
		<u>69,894</u>	<u>64,658</u>
Associated companies.....		40,594	34,164
The bank (on an historical basis)			
Net assets of Charterhouse Japhet plc.....		61,517	58,767
Net premium on acquisition.....		619	619
		<u>62,136</u>	<u>59,386</u>
		<u>172,624</u>	<u>158,208</u>

NOTES TO THE CURRENT COST ACCOUNTS

£'000

1 Current cost operating adjustments

Cost of sales

The cost of sales adjustment represents the difference between the actual cost of goods sold and the estimated cost of replacing those goods at the time of sale. These replacement costs have been calculated by using averaging methods and nationally published industry indices in the UK and local consumer price indices overseas.

1981 1980

4,160 3,722

Monetary working capital

The monetary working capital adjustment represents the effect of price changes on the monetary working capital needed to support the operating capability of the group. It comprises an adjustment for trade debtors less trade creditors computed by using averaging methods and appropriate published stock indices in the UK and local consumer price indices overseas.

86 381

Depreciation

The depreciation adjustment represents the additional charge against profit as a result of depreciating fixed assets on the basis of current costs rather than historical costs.

1,698 1,942

5,944 6,045

2 Gearing adjustment

The gearing adjustment removes that proportion of the current cost operating adjustments which have been financed externally. The calculation has been based on the borrowings of and the shareholders' interest in the group excluding the bank.

3 Extraordinary profits/(losses)

The current cost adjustments made to extraordinary profits/(losses) have been reduced by an appropriate gearing adjustment. The corresponding figure for 1980 has been restated.

4 Fixed assets

	Freehold & leasehold properties	Plant equipment & vehicles	Total
Gross replacement cost	15,055	48,781	63,836
Depreciation	2,221	32,656	34,877
Net replacement cost at 31st December 1981	12,834	16,125	28,959
Net replacement cost at 31st December 1980	13,616	16,537	30,153

Assets have been restated at their current replacement cost on the following bases:

Properties	At latest professional valuation subsequently indexed, or estimated depreciated replacement cost calculated by reference to appropriate indices.
Plant	At depreciated replacement cost calculated by reference to official UK and overseas indices.

5 Current cost reserve

At 31st December 1980		25,723
Revaluation surpluses		
Freehold and leasehold properties	(303)	
Plant, equipment and vehicles	1,301	
Stocks	2,707	
Investments and associated companies	2,609	6,314
Other movements		
Monetary working capital adjustment	86	
Gearing adjustments	(2,617)	
Currency adjustment	1,546	
Realised surpluses on sales of subsidiaries	921	(64)
At 31st December 1981		31,973

Of the current cost reserve at 31st December 1981 £17,241,000 (1980 - £11,641,000) is deemed to be realised.