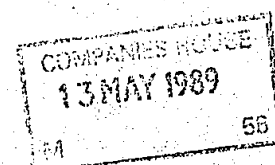


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TRAFALGAR HOUSE GROUP SERVICES LIMITED

REPORT AND ACCOUNTS

30TH SEPTEMBER 1988



TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30th September 1988.

PRINCIPAL ACTIVITY

The Company's principal activity is the provision of management and administrative services to other companies in the Trafalgar House Group.

BUSINESS REVIEW

The Company continued to provide services to companies in the Trafalgar House Group. The Board's policy is to ensure that the service departments keep abreast of the latest developments in their respective fields so that the services given to operating units in the Group are continuously updated and improved.

RESULTS

The results for the year are set out in the Profit and Loss Account on page 2.

DIVIDENDS

The Directors do not propose to recommend the payment of any dividend on the Issued Ordinary Share Capital of the Company in respect of the year ended 30th September 1988.

FIXED ASSETS

Details of the movements in fixed assets during the year are given in Note 7 to the Accounts.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT  
(continued)

DIRECTORS

The following persons were Directors of the Company during the year:-

Mr Eric Parker	
Mr Ian Fowler	
Mr R Axford	
Mr S C Bagnold	
Mr J D Blagden	
Mr P W Coles	
Mr T B Coombs	
Mr A F Ford	
Mr R E Heather	
Mr M J R Lalley	
Mr G Lyons	
Mr A Riding	
Mr C S Thompson	(appointed 08.09.88)
Mr R A Dalzell	(resigned 18.03.88)
Mr J F Ewing	(resigned 31.10.87)
Mr M D McCann	(resigned 29.02.88)
Mr D St J McDermott	(resigned 30.09.88)

DIRECTORS' SHARE INTERESTS

Given below are details of the interests in the Shares and Debentures of Trafalgar House Public Limited Company (the ultimate holding company) at 30th September 1988 of Directors of the Company at that date who were not also Directors of Trafalgar House Public Limited Company. Details of their interests at 30th September 1987 (or subsequent date of appointment) are shown in brackets.

TRAFALGAR HOUSE PUBLIC LIMITED COMPANY ORDINARY SHARES OF 20P EACH

	Ordinary Shares Options (Note 1)	<u>Ordinary Shares Fully Paid</u>	
		<u>1979</u> Scheme (Note 2)	Other Beneficial
R Axford	46,851 (30,351)	269 (-)	- (-)
S C Bagnold	35,000 (-)	(-)	- (-)

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT  
(continued)

DIRECTORS SHARE INTERESTS' continued

TRAFALGAR HOUSE PUBLIC LIMITED COMPANY ORDINARY SHARES OF 20P EACH

	Ordinary Shares Options (Note 1)	Ordinary Shares Fully Paid 1979 Scheme (Note 2)	Other Beneficial
J D Blagden	42,851 (30,351)	1,016 (1,028)	17,694 (19,319)
P W Coles	56,439 (37,939)	1,016 (1,027)	8,583 (8,236)
T B Coombs	43,851 (30,351)	954 (911)	- (-)
A F Ford	46,000 (25,000)	- (-)	38,320 (38,286)
R E Heather	54,439 (37,939)	954 (911)	1,070 (777)
M J R Lalley	23,500 (30,351)	269 (-)	- (-)
G Lyons	40,351 (30,351)	954 (911)	1,944 (1,530)
A Riding	34,763 (22,763)	336 (-)	- (-)
C S Thompson	- (-)	- (-)	- (-)

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT  
(continued)

Notes:-

1. Options granted over Ordinary Shares under the terms of the Trafalgar House Public Limited Company 1984 Share Option Scheme.
2. Fully paid Ordinary Shares appropriated to participants in the Trafalgar House Public Limited Company 1979 Profit Sharing Scheme.

POLICY ON EMPLOYMENT OF DISABLED PERSONS

Both the disabled and the fit have equality of opportunity for employment and advancement subject only to the constraints of safety. Whenever possible, employees who become disabled in service are offered (and, where appropriate, retrained for) any suitable alternative employment available within the Group.

EMPLOYEE INVOLVEMENT

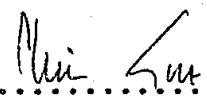
During the year the practice has been maintained of keeping employees informed about current activities and progress by various methods including in-house publications and, where relevant, through formal Trade Union channels.

Special attention is given to health and safety.

AUDITORS

A Resolution to re-appoint the Auditors, Touche Ross & Co., will be proposed at the Annual General Meeting.

By Order of the Board

  
.....  
Secretary

21 March 1989

AUDITORS' REPORT TO THE MEMBERS

of

TRAFALGAR HOUSE GROUP SERVICES LIMITED

We have audited the accounts and notes on pages 2 to 9 in accordance with approved Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of affairs of the company at 30th September 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Touche Ross & Co.*

21 March 1989  
Hill House  
1 Little New Street  
London EC4A 3TR

TOUCHE ROSS & CO.  
Chartered Accountants

TRAFALGAR HOUSE GROUP SERVICES LIMITED

PROFIT AND LOSS ACCOUNT


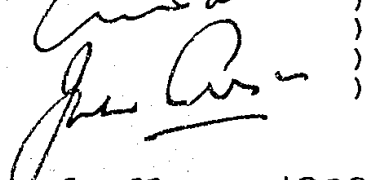
FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
Turnover	3	32,562,764	32,925,447
Cost of sales		31,296,300	32,895,074
Gross profit	4	1,266,464	30,373
Interest receivable		4,254	160,439
Interest payable	5	(708,009)	(709,702)
Profit/(Loss) on ordinary activities before taxation		562,709	(518,890)
Taxation credit	6	97,347	76,990
Profit/(Loss) on ordinary activities after taxation		660,056	(441,900)
Brought forward		6,111,923	6,553,823
Carried forward		6,771,979	6,111,923

TRAFALGAR HOUSE GROUP SERVICES LIMITED

BALANCE SHEET AT 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
<u>Fixed assets</u>			
Tangible assets	7	5,292,533	5,540,044
<u>Current assets</u>			
Stocks	8	337,846	403,850
Debtors	9	29,411,998	28,162,859
Cash at bank and in hand		87,867	92,611
		29,837,711	28,659,320
<u>Creditors: amounts falling due within one year</u>			
Bank overdraft	15	6,733,090	5,149,533
Creditors	10	20,849,872	20,673,592
Obligations under capitalised finance leases	11	216,489	362,045
		27,799,451	26,785,170
<u>Net current assets</u>		2,038,260	1,874,150
<u>Total assets less current liabilities</u>		7,330,793	7,414,194
<u>Creditors: amounts falling due after more than one year</u>			
Obligations under capitalised finance leases	11	(58,814)	(468,261)
<u>Provisions for liabilities and charges</u>	12	-	(334,010)
		7,271,979	6,611,923
<u>Capital and reserves</u>			
Authorised share capital			
500,000 ordinary shares of £1			
Called up share capital			
Issued and fully paid		500,000	500,000
Profit and loss account		6,771,979	6,111,923
		7,271,979	6,611,923

) Directors

(3)

21 March 1989

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TRAFALGAR HOUSE GROUP SERVICES LIMITED  
STATEMENT OF SOURCE & APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	<u>1988</u>	<u>1987</u>
	£	£
<u>Source of funds</u>		
Profit/(loss) on ordinary activities before taxation	562,709	(518,890)
Adjustment for items not involving the movement of funds:		
Depreciation	2,014,252	2,725,573
(Surplus)/Deficit on disposal of tangible fixed assets	(77,698)	185,820
Provisions created	6,867	40,738
	<u>1,943,421</u>	<u>2,952,131</u>
Total from operations	2,506,130	2,433,241
Disposal of tangible fixed assets	1,097,756	1,795,617
Increase in short term creditors	-	-
Decrease in current assets	-	1,970,172
	<u>3,603,886</u>	<u>6,199,030</u>
<u>Application of funds</u>		
Purchase of tangible fixed assets	2,786,799	1,827,677
Increase in current assets	1,085,788	-
Decrease in long term creditors	750,324	831,056
Expenditure against provisions	-	44,290
Decrease in short term creditors	569,276	221,056
Dividend paid	-	1,250,000
	<u>5,192,187</u>	<u>4,174,079</u>
<u>(Decrease)/Increase in net liquid funds</u>	<u>(1,588,301)</u>	<u>2,024,951</u>

(Net liquid funds comprise a bank overdraft less cash at bank and in hand)

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1988

1. Ultimate holding company  
The ultimate holding company is Trafalgar House Public Limited Company, which is incorporated in Great Britain.
2. Accounting policies  
The accounts have been prepared under the historical cost convention and the accounting policies adopted are disclosed in the appropriate notes below.
3. Turnover  
Turnover represents gross management fees, service charges and commissions receivable from group companies.

4. <u>Gross profit</u>	<u>1988</u> £	<u>1987</u> £
This is stated after charging:		
Depreciation of tangible fixed assets	2,014,252	2,725,573
Hire of plant and machinery	921,156	1,068,512
Rental costs under operating leases of plant and machinery	6,014,305	5,210,662
Audit fee	40,000	38,000
(Surplus)/Deficit on disposal of tangible fixed assets	(77,698)	185,820
Finance charges in respect of finance leases	66,136	120,783
	=====	=====

Staff costs including directors' emoluments

Wages and salaries	7,448,547	7,086,173
Social security costs	634,897	603,069
Other pension costs (note 14)	197,364	72,470
	-----	-----
	8,280,808	7,761,712
	=====	=====

The average weekly number of employees, all of whom were engaged in the United Kingdom on the Company's principal activity, was 551 (1987 - 607).

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1988

4. <u>Gross profit</u> (cont'd.)	<u>1988</u>	<u>1987</u>
Directors' emoluments	£	£
As executives	1,053,020	888,764
	=====	=====

Additional information concerning directors' emoluments is as follows:

Emoluments of the chairman	295,000	236,250
	=====	=====

Particulars of other directors' emoluments:

	<u>Numbers</u>	<u>Numbers</u>
Not exceeding £5,000	3	-
£5,001 - £10,000	1	2
£10,001 - £15,000	-	3
£15,001 - £20,000	-	1
£25,001 - £30,000	1	-
£30,001 - £35,000	1	1
£35,001 - £40,000	3	2
£40,001 - £45,000	-	3
£45,001 - £50,000	3	2
£50,001 - £55,000	1	1
£60,001 - £65,000	1	-
£75,001 - £80,000	-	2
£95,001 - £100,000	1	-
£115,001 - £120,000	1	-
	=====	=====

The number of United Kingdom employees whose emoluments excluding pension contributions exceeded £30,000 was as follows:

£30,001 - £35,000	4	2
£45,001 - £50,000	2	-
£70,001 - £75,000	-	1
£95,001 - £100,000	1	-
£165,001 - £170,000	-	1
£215,001 - £220,000	1	-
	=====	=====

5. <u>Interest payable</u>	£	£
Bank borrowings repayable within 5 years	708,009	709,702
	=====	=====
6. <u>Taxation</u>		
Group relief receipt	97,347	76,990
	=====	=====

The charge does not bear a normal relationship to the profit for the year due to the incidence of timing differences for which deferred tax is not accounted for.

There is no potential liability to deferred taxation.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1988

7.	<u>Tangible fixed assets</u>	<u>Plant and equipment</u>
		£
	<u>Cost</u>	
	At 30th September 1987	13,060,955
	Expenditure	2,776,545
	Transferred from other group companies	22,744
		<u>30,244</u>
	<u>Disposals</u>	(1,544,291)
	Transferred to other group companies	(1,185,944)
		<u>At 30th September 1988</u>
		13,130,009
		=====
	<u>Accumulated depreciation</u>	
	At 30th September 1987	7,520,911
	Charged in year	2,014,252
	Transferred from other group companies	12,490
		<u>9,547,653</u>
	<u>On disposals</u>	(1,030,742)
	Transferred to other group companies	(679,435)
		<u>At 30th September 1988</u>
		7,837,476
		=====
	<u>Book value 30th September 1988</u>	5,292,533
		=====
	<u>Book value 30th September 1987</u>	5,540,044
		=====
	Plant and equipment includes motor vehicles and machinery, and fixtures and fittings.	
	Included in the above figures are fully depreciated assets with a cost of £3,292,000.	
	Depreciation is provided by the straight line method based on the anticipated lives which vary between 3 and 20 years.	
	Included in the above is plant and machinery with a cost of £1,860,463 and net book value of £458,013 held under finance leases. Depreciation charged for the year is £377,718.	
8.	<u>Stocks</u>	
	Stocks, which consist of consumable stores, are valued at the lower of cost and net realisable value.	
9.	<u>Debtors</u>	
		<u>1988</u>
		£
	Trade debtors	84,264
	Amounts owed by group companies	24,118,086
	Amounts owed by related companies	46,755
	Other debtors	1,376,018
	Prepayments and accrued income	3,786,875
		<u>29,411,998</u>
		=====
		<u>1987</u>
		£
		96,397
		21,473,976
		128,454
		3,941,395
		2,522,637
		<u>28,162,859</u>
		=====

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1988

	<u>1988</u> £	<u>1987</u> £
10. <u>Creditors</u>		
Trade creditors	8,906,441	8,281,387
Amounts owed to group companies	1,182,666	2,690,380
Taxation and social security	5,269,647	4,598,979
Other creditors	2,145,777	1,985,516
Accruals and deferred income	3,345,341	3,117,330
	<hr/>	<hr/>
	20,849,872	20,673,592
	=====	=====
11. <u>Obligations under capitalised finance leases</u>		
Amounts due within one year	216,489	962,045
	=====	=====
Amounts due between 1 and 5 years	58,814	468,261
	=====	=====
Finance leases are capitalised as fixed assets with an obligation to pay future rentals set up as a liability. The finance charge is charged to the profit and loss account.		
12. <u>Provisions for liabilities and charges</u>	£	
At 30th September 1987	334,010	
Charged to profit and loss account	6,867	
	<hr/>	
	340,877	
Utilised during the year	(340,877)	
	<hr/>	
At 30th September 1988	-	
	=====	
13. <u>Operating leases</u>		
Commitments to operating lease payments within one year are as follows:		
In respect of leases expiring		
Within one year	1,001,702	1,223,807
Between two and five years	5,741,886	3,987,949
	<hr/>	<hr/>
	6,743,588	5,211,756
	=====	=====

Rental costs under operating leases are charged to the profit and loss account as paid over the period of the lease.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1988

14. Pension Arrangements

The Trafalgar House Group operates pension schemes under which contributions paid by employees and employers are held in funds which are separate from the Group's finances and which are administered by trustees. The rate at which the Company contributes to the main Group scheme providing defined benefits is determined after discussions with the actuaries and trustees.

15. Contingent Liabilities

The company has a contingent liability under a joint and several guarantee given to the bankers in support of the borrowings of other group companies party to a memorandum bank account of which this company is a member.