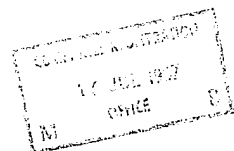


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TRAFALGAR HOUSE GROUP SERVICES LIMITED

REPORT AND ACCOUNTS

30TH SEPTEMBER 1986



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 1986.

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

An interim dividend of £1,250,000 was paid on 7th January 1987.

FIXED ASSETS

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

During the year the Company disposed of the major part of its motor vehicle fleet. Motor vehicles are now leased under operating leases.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT

(continued)

DIRECTORS

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

Mr. Eric Parker  
Mr. D.M. Taylor  
Mr. Ian Fowler  
Mr. J.D. Blagden  
Mr. P.W. Coles  
Mr. J.F. Ewing  
Mr. R.E. Heather  
Mr. J.E. Lawford  
Mr. G. Lyons  
Mr. T.J. Winter  
Mr. T.B. Coombs  
Mr. M.J.R. Lalley  
Mr. R. Axford  
Mr. J. Poole

Mr. A.F. Ford (appointed 3.3.86)  
Mr. J. Bateman (resigned 17.2.86)  
Mr. T.W. West (resigned 31.5.86)

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 1986 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 1985 (or subsequent date of appointment) are shown in brackets.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT

(continued)

DIRECTORS' SHARE INTERESTES continued

TRAFALGAR HOUSE PUBLIC LIMITED COMPANY ORDINARY SHARES OF 20P EACH

	Ordinary Share Options (Note 1)	Ordinary Shares 1p paid (Note 2)	Ordinary Shares Fully Paid		
			1971 Scheme (Note 3)	1979 Scheme (Note 4)	Other Beneficial
J.D. Blagden	30,351 (20,351)	- (5,000)	- (6,250)	1,950 (1,661)	16,847 (9,614)
P.W. Coles	37,939 (25,439)	- (2,000)	- (2,500)	1,950 (1,661)	7,313 (3,938)
J.F. Ewing	30,351 (20,351)	- (-)	- (-)	1,688 (1,399)	736 (736)
R.E. Heather	37,939 (25,439)	- (-)	- (-)	1,688 (1,399)	- (654)
J.E. Lawford	30,351 (20,351)	- (1,000)	- (1,250)	1,950 (1,661)	971 (971)
G. Lyons	30,351 (20,351)	- (-)	- (-)	1,688 (1,399)	654 (654)
T.J. Winter	30,351 (20,351)	- (-)	- (-)	1,950 (1,661)	777 (777)
T.B. Coombs	30,351 (20,351)	- (-)	- (-)	911 (662)	- (1,000)
M.J.R. Lalley	30,351 (20,351)	- (-)	- (-)	- (-)	- (-)
R. Axford	30,351 (20,351)	- (-)	- (-)	- (-)	2,300 (300)
J. Poole	30,351 (20,351)	- (-)	- (-)	- (-)	- (-)
A.F. Ford	25,000 (-)	- (-)	- (-)	769 (769)	38,233 (38,233)

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 1973 and 1984 Executive share Option Schemes.
2. Partly paid Ordinary Shares acquired under the terms of the Trafalgar House Public Limited Company 1971 Executive Share Incentive Scheme.
3. Fully paid Ordinary Shares allotted in respect of partly paid shares held as in Note 2 above.
4. 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, re-trained 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. Employee participation and involvement are also encouraged, both through participation in the Trafalgar House Group's Profit Sharing Scheme and also 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

27<sup>th</sup> January 1987

APJ/JC/13/1/87

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 1986 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.*

Hill House  
1 Little New Street  
London EC4A 3TR

TOUCHE ROSS & CO.  
Chartered Accountants

27 January 1987

TRAFALGAR HOUSE GROUP SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Turnover	3	33,914,457	33,050,527
Cost of sales		30,493,279	27,208,183
Gross profit	4	3,421,178	5,842,344
Interest receivable		31,255	23,237
Interest payable	5	(1,597,477)	(1,703,915)
Profit on ordinary activities before and after taxation	6	1,854,956	4,161,666
Dividend payable Interim		1,250,000	-
		604,956	4,161,666
Brought forward		5,948,867	1,787,201
Carried forward		6,553,823 =====	5,948,867 =====

TRAFALGAR HOUSE GROUP SERVICES LIMITED

BALANCE SHEET AT 30TH SEPTEMBER 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
<u>Fixed Assets</u>			
Tangible assets	7	8,419,377	17,828,561
<u>Current Assets</u>			
Stocks	8	268,423	300,304
Debtors	9	30,191,468	23,070,922
Cash at bank and in hand		99,818	100,714
		30,559,709	23,471,940
<u>Current Liabilities</u>			
<u>Creditors: amounts falling due within one year</u>			
Bank overdraft	10	7,181,691	12,683,456
Creditors	11	20,967,754	19,627,296
Obligations under capitalised finance leases	12	888,939	638,379
Dividend payable		1,250,000	--
		30,288,384	32,949,131
<u>Net Current Assets/(Liabilities)</u>		271,325	(9,477,191)
<u>Total Assets less Current Liabilities</u>		8,690,702	8,351,370
<u>Creditors: amounts falling due after more than one year</u>			
Obligations under capitalised finance leases	12	(1,299,317)	(1,618,951)
<u>Provisions for Liabilities and Charges</u>	13	(337,562)	(283,552)
		7,053,823	6,448,867
<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		6,553,823	5,948,867
		7,053,823	6,448,867

Directors

24<sup>th</sup> January 1987

(3)

*[Handwritten initials]*



TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1986

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.

<u>4. Gross profit</u>	<u>1986</u>	<u>1985</u>
This is stated after charging:	£	£
Depreciation of tangible fixed assets	5,446,421	4,652,449
Hire of plant and machinery	829,903	932,709
Rental costs under operating leases of plant and machinery	1,639,044	845,704
Audit fee	35,000	32,000
Deficit on disposal of tangible fixed assets	23,201	123,328
Finance charges in respect of finance leases	120,182	16,864
	=====	=====

Staff costs including directors' emoluments

Wages and salaries	6,935,828	6,210,502
Social security costs	615,115	498,002
Other pension costs (note 17)	130,854	310,315
	=====	=====
	7,681,797	7,018,819
	=====	=====

The average weekly number of employees, all of whom were engaged in the United Kingdom on the Company's principal activity, was 741 (1985 - 720).

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1986

4.	<u>Gross profit (cont'd.)</u>	<u>1986</u>	<u>1985</u>
	Directors' emoluments	£	£
	As executives	860,640	613,062
		=====	=====
	Additional information concerning directors' emoluments is as follows:		
	Emoluments of the chairman	223,875	154,905
	Emoluments of the highest paid director	75,000	60,000
		=====	=====
	Particulars of other directors' emoluments:		
		<u>Numbers</u>	<u>Numbers</u>
	Not exceeding £5,000	3	2
	£5,001 - £10,000	-	1
	£20,001 - £25,000	-	2
	£25,001 - £30,000	4	4
	£30,001 - £35,000	4	4
	£35,001 - £40,000	2	-
	£40,001 - £45,000	1	-
	£50,001 - £55,000	-	1
	£70,001 - £75,000	1	-
		=====	=====
	The number of United Kingdom employees whose emoluments excluding pension contributions exceeded £30,000 was as follows:		
	£30,001 - £35,000	1	-
	£35,001 - £40,000	1	1
	£121,001 - £125,000	-	1
	£155,001 - £160,000	1	-
		=====	=====

5.	<u>Interest payable</u>	£	£
	Bank borrowings	1,597,477	1,703,915
		=====	=====

6. Taxation  
There is no charge for Corporation Tax on the profit for the year as relief will be obtained for losses incurred by other companies in the group.

The potential amount of deferred taxation calculated on the liability method at 35% (1985 : 35%) is:

Accelerated depreciation	103,421	1,457,862
Other timing differences	(103,421)	(99,243)
	-----	-----
	-	1,358,619
	=====	=====

To the extent required by SSAP 15 deferred taxation is provided in the accounts of the ultimate holding company. It is normal group practice that tax losses and advance corporation tax are surrendered between group companies for no consideration.

Under the above policy no provision for deferred taxation is required.

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1986

7.     Tangible fixed assets

		<u>Plant and equipment</u>
		£
<u>Cost</u>		
At 30th September 1985		28,893,761
Expenditure		6,812,998
Transferred from other group companies		62,816
		<hr/>
Disposals		35,769,575
Transferred to other group companies		(17,805,674)
		(498,249)
		<hr/>
At 30th September 1986		17,465,652
		<hr/>
<u>Accumulated depreciation</u>		
At 30th September 1985		11,065,200
Charged in year		5,446,421
Transferred from other group companies		43,069
		<hr/>
		16,554,690
On disposals		(7,275,768)
Transferred to other group companies		(232,647)
		<hr/>
At 30th September 1986		9,046,275
		<hr/>
<u>Book value 30th September 1986</u>		8,419,377
		<hr/>
<u>Book value 30th September 1985</u>		17,828,561
		<hr/>
Plant and equipment includes motor vehicles and machinery, and fixtures and fittings.		
Depreciation is provided by the straight line method based on the anticipated lives which vary between 2 and 20 years.		
Included in the above is plant and machinery with a cost of £3,394,155 and net book value of £2,400,307 held under finance leases.		

8.     Stocks

Stocks, which consist of consumable stores, are valued at the lower of cost and net realisable value.

9.     Debtors

	<u>1986</u>	<u>1985</u>
	£	£
Amounts owed by group companies	22,518,544	18,598,930
Amounts owed by related companies	23,680	30,958
Other debtors	5,228,821	2,175,733
Prepayments and accrued income	2,420,423	2,265,301
	<hr/>	<hr/>
	30,191,468	23,070,922
	<hr/>	<hr/>

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1986

10. 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.

	<u>1986</u> £	<u>1985</u> £
11. <u>Creditors</u>		
Trade creditors	10,024,577	8,943,561
Amounts owed to group companies	3,176,962	2,151,975
Taxation and social security	4,557,593	4,265,269
Other creditors	1,589,370	2,603,978
Accruals and deferred income	1,619,252	1,662,513
	<u>20,967,754</u>	<u>19,627,296</u>
	=====	=====

12. Obligations under capitalised finance leases

Amounts due within one year	888,939	638,379
	=====	=====
Amounts due between 1 and 5 years	1,299,317	1,618,951
	=====	=====

Finance leases are capitalised as fixed assets with an obligation to pay future rentals set up as a liability.

13. Provisions for liabilities and charges

At 30th September 1985	£ 283,552
Charged to profit and loss account	54,010
	<u>337,562</u>
	=====

At 30th September 1986

Provisions for refurbishment.

14. Capital commitments

Authorised and contracted	-	626,500
	=====	=====

15. Commitments under finance leases

Amounts committed whose inception occurred after the balance sheet date	-	210,634
	=====	=====

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TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1986

16. <u>Operating leases</u>	<u>1986</u> £	<u>1985</u> £
Commitments to operating lease payments within one year are as follows:		
In respect of leases expiring		
Within one year	-	2,490
Between two and five years	3,401,462	684,060
	<hr/>	<hr/>
	3,401,462	686,550
	=====	=====

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

17. 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. After discussions with the actuaries and trustees, the rate at which the Company contributes to the main Group scheme was reduced for two years with effect from April 1985. Actuarial reviews as at April 1986 have confirmed the adequacy of the revised basis of financing the main scheme to meet current and prospective liabilities.

TRAFALGAR HOUSE GROUP SERVICES LIMITED  
STATEMENT OF SOURCE & APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

	<u>1986</u>	<u>1985</u>
	£	£
<u>Source of funds</u>		
Profit on ordinary activities before and after taxation	1,854,956	4,161,666
Adjustment for items not involving the movement of funds:		
Depreciation	5,446,421	4,652,449
Deficit on disposal of tangible fixed assets	23,201	123,328
Provisions created	54,010	54,010
	<u>5,523,632</u>	<u>4,829,787</u>
Total from operations	7,378,588	8,991,453
Disposal of tangible fixed assets	10,772,307	1,171,081
Increase in short term creditors	1,591,018	317,931
Increase in long term creditors	-	1,618,951
	<u>19,741,913</u>	<u>12,099,416</u>
<u>Application of funds</u>		
Purchase of tangible fixed assets	6,832,745	9,959,104
Increase in current assets	7,088,665	3,199,198
Decrease in long term creditors	319,634	-
	<u>14,241,044</u>	<u>13,158,302</u>
<u>Increase/(decrease) in net liquid funds</u>	<u>5,500,869</u>	<u>(1,058,886)</u>

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