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TRAFALGAR HOUSE GROUP SERVICES LIMITED

REPORT AND ACCOUNTS

30TH SEPTEMBER 1989



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 1989.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

The Company continues to provide services to companies in the Trafalgar House Group and commenced to act as a holding company for certain subsidiaries. The Board's policy is to ensure that its 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. On 30th March 1989 the Company acquired the subsidiary companies listed in Note 8 to the Accounts.

RESULTS

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

DIVIDENDS

An interim dividend of £5 million (5 pence per share) in respect of the year ended 30th September 1989 was paid on 17th January 1990. It is not proposed to recommend the payment of a final dividend.

FIXED ASSETS

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

SHARE CAPITAL

The authorised share capital of the Company was increased from £500,000 to £100,000,000 on 29th March 1989. On 30th March 1989 99,500,000 Ordinary shares of £1.00 each were issued at par.

DIRECTORS

Mr. Eric Parker	
Mr. J. R. W. Ansdell	(appointed 18.01.89)
Mr. Ian Fowler	
Mr. R. Axford	
Mr. S. C. Bagnold	
Mr. J. D. Blagden	(resigned 06.03.89)
Mr. P. W. Coles	
Mr. T. B. Coombs	
Mr. J. K. S. Elsdon	(appointed 06.03.89)
Mr. A. F. Ford	(resigned 30.06.89)
Mr. A. L. Fenton	(appointed 06.03.89)

TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT
(continued)

DIRECTORS (continued)

Mr. R. E. Heather
Mr. B. A. Izzard (appointed 12.06.89)
Mr. M. J. R. Lalley
Mr. G. Lyons
Mr. A. Riding
Mr. G. M. Staines (appointed 06.03.89)
Mr. C. S. Thompson

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 1989 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 1988 (or subsequent date of appointment) are shown in brackets.

TRAFALGAR HOUSE PUBLIC LIMITED COMPANY ORDINARY SHARES OF 20P EACH

	Ordinary Share Options (Note 1)	Ordinary Shares Fully Paid 1979 Scheme (Note 2)	Other Beneficial
R. Axford	66,538 (43,791)	478 (269)	8 (-)
S. C. Bagnold	56,870 (35,000)	- (-)	- (-)
P. W. Coles	79,037 (56,439)	1,278 (1,016)	8,842 (8,583)
T. B. Coombs	63,436 (43,851)	1,216 (954)	- (-)
J. K. S. Elsdon	66,021 (43,851)	1,753 (1,491)	9,626 (9,084)
A. L. Fenton	20,680 (20,000)	- (-)	- (-)
R. E. Heather	76,969 (54,439)	1,216 (954)	1,070 (1,070)
B. A. Izzard	42,000 (-)	- (-)	- (-)

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TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT
(continued)

TRAFALGAR HOUSE PUBLIC LIMITED COMPANY ORDINARY SHARES OF 20P EACH (continued)

	Ordinary Share Options (Note 1)	Ordinary Shares Fully Paid 1979 Scheme (Note 2)	Other Beneficial
M. J. R. Lalley	42,394 (23,500)	478 (269)	- (-)
G. Lyons	21,711 (50,351)	1,216 (954)	7,776 (1,944)
A. Riding	36,191 (34,763)	598 (336)	10 (-)
G. M. Staines	28,435 (15,000)	- (-)	- (-)
C. S. Thompson	46,530 (-)	- (-)	- (-)

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.

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TRAFALGAR HOUSE GROUP SERVICES LIMITED

DIRECTORS' REPORT
(continued)

AUDITORS

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

By Order of the Board

.....*A. Samin*.....
Secretary

AUDITORS' REPORT TO THE MEMBERS

of

TRAFALGAR HOUSE GROUP SERVICES LIMITED.

We have audited the accounts and notes on pages 2 to 10 in accordance with 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 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

TOUCHE ROSS & CO.
Chartered Accountants

Hill House
1 Little New Street
London EC4A 3TR

4 September 1990

TRAFALGAR HOUSE GROUP SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover	3	32,502,562	32,562,764
Cost of Sales		31,725,912	31,296,300
		<hr/>	<hr/>
Gross profit	4	776,650	1,266,464
Income from shares in subsidiaries		5,650,000	-
Interest receivable		181,961	4,254
Amount written off shares in subsidiary	8	(400,688)	-
Interest payable	5	(1,209,085)	(708,009)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,998,838	562,709
Taxation (charge)/credit	6	(120,529)	97,347
		<hr/>	<hr/>
Profit on ordinary activities after taxation		4,878,309	660,056
Dividend payable Interim		(5,000,000)	-
		<hr/>	<hr/>
Transfer (from)/to reserves		(121,691)	660,056
Brought forward		6,771,979	6,111,923
		<hr/>	<hr/>
Carried forward		6,650,288	6,771,979
		=====	=====

TRAFALGAR HOUSE GROUP SERVICES LIMITED

BALANCE SHEET AT 30TH SEPTEMBER 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
<u>Fixed assets</u>			
Tangible assets	7	5,298,187	5,292,533
Investments			
Shares in subsidiary companies	8	147,139,017	-
		<u>152,437,204</u>	<u>5,292,533</u>
<u>Current assets</u>			
Stocks	9	434,235	337,846
Debtors	10	125,704,761	29,411,998
Cash at bank and in hand		101,762	87,867
Dividends due from subsidiary companies		5,650,000	-
		<u>131,890,758</u>	<u>29,837,711</u>
<u>Creditors: amounts falling due within one year</u>			
Bank overdraft	17	7,546,537	6,733,090
Creditors	11	150,734,649	20,849,872
Obligations under capitalised finance leases	12	112,396	216,489
Dividend payable		5,000,000	-
		<u>163,393,582</u>	<u>27,799,451</u>
<u>Net current (liabilities)/assets</u>		<u>(31,502,824)</u>	<u>2,038,260</u>
<u>Total assets less current liabilities</u>		<u>120,934,380</u>	<u>7,330,793</u>
<u>Creditors: amounts falling due after more than one year</u>			
Obligations under capitalised finance leases	12	(177,482)	(58,814)
		<u>120,756,898</u>	<u>7,271,979</u>
<u>Capital and reserves</u>			
Authorised share capital			
100,000,000 ordinary shares of £1			
(1988 - 500,000 ordinary shares of £1)			
Called up share capital	-		
Issued and fully paid	13	100,000,000	500,000
Revaluation reserve	14	14,106,610	-
Profit and loss account		6,650,288	6,771,979
		<u>120,756,898</u>	<u>7,271,979</u>

 Directors

TRAFALGAR HOUSE GROUP SERVICES LIMITED
STATEMENT OF SOURCE & APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER 1989

	<u>1989</u>		<u>1988</u>
	£	£	£
<u>Source of funds</u>			
Profit on ordinary activities before taxation	4,998,838		562,709
Adjustment for items not involving the movement of funds:			
Depreciation	2,075,184		2,014,252
Deficit/(Surplus) on disposal of tangible fixed assets	9,788		(77,698)
Provisions	-		6,867
Amount written off shares in subsidiary	400,688		-
	<u>2,485,660</u>		<u>1,943,421</u>
Total from operations	7,484,498		2,506,130
Increase in share capital issued	99,500,000		-
Disposal of tangible fixed assets	271,582		1,097,756
Increase in short term creditors	129,660,155		-
Increase in long term creditors	118,668	229,550,405	1,097,756
	<u>237,034,903</u>		<u>3,603,886</u>
<u>Application of funds</u>			
Purchase of tangible fixed assets	2,362,208		2,786,799
Purchase of investments	133,433,095		-
Increase in current assets	102,039,152		1,085,788
Decrease in long term creditors	-		750,324
Decrease in short term creditors	-		569,276
	<u>237,834,455</u>		<u>5,192,187</u>
<u>Increase in net borrowings</u>	799,552		1,588,301
	=====		=====

(Net borrowings comprise bank overdraft less cash at bank and in hand)

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

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. 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>1989</u> £	<u>1988</u> £
4. <u>Gross profit</u>		
This is stated after charging:		
Depreciation of tangible fixed assets	2,075,184	2,014,252
Hire of plant and machinery	835,032	921,156
Rental costs under operating leases of plant and machinery	6,715,441	6,014,305
Audit fee	38,900	40,000
Deficit/(Surplus) on disposal of tangible fixed assets	9,788	(77,698)
Finance charges in respect of finance leases	38,882	66,136
	=====	=====
Staff costs including directors' emoluments		
Wages and salaries	7,802,019	7,448,547
Social security costs	645,792	634,897
Other pension costs (note 16)	454,629	197,364
	=====	=====
	8,902,440	8,280,808
	=====	=====

The average weekly number of employees, all of whom were engaged in the United Kingdom on the Company's principal activity, was 476 (1988 - 551).

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

	<u>1989</u> £	<u>1988</u> £
4. <u>Gross profit</u> (cont'd.)		
Directors' emoluments		
As executives	1,462,461 =====	1,053,020 =====

Additional information concerning directors' emoluments is as follows:

Emoluments of the chairman	480,125. =====	295,000 =====
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Particulars of other directors' emoluments:

	<u>Numbers</u>	<u>Numbers</u>
Not exceeding £5,000	4	3
£5,001 - £10,000	-	1
£25,001 - £30,000	3	1
£30,001 - £35,000	-	1
£35,001 - £40,000	-	3
£40,001 - £45,000	1	-
£45,001 - £50,000	-	3
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
£70,001 - £75,000	3	-
£80,001 - £85,000	2	-
£95,001 - £100,000	1	1
£115,001 - £120,000	-	1
£150,001 - £155,000	1	-
	=====	=====

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

£30,001 - £35,000	7	4
£35,001 - £40,000	1	-
£45,001 - £50,000	-	2
£50,001 - £55,000	1	-
£55,001 - £60,000	2	-
£95,001 - £100,000	-	1
£215,001 - £220,000	-	1
£295,001 - £300,000	1	-
	=====	=====

5. Interest payable

	£	£
Bank borrowings repayable within 5 years	1,077,658	708,009
Inter-company	131,427	-
	-----	-----
	1,209,085 =====	708,009 =====

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

	<u>1989</u> £	<u>1988</u> £
6. <u>Taxation</u>		
Group relief (charge)/credit	(120,579) =====	97,347 =====

There is no potential liability to deferred taxation.

7. <u>Tangible fixed assets</u>	<u>Plant and equipment</u> £
<u>Cost</u>	
At 30th September 1988	13,130,009
Expenditure	2,111,616
Transferred from group companies	389,540
	15,631,165
Disposals	(1,026,748)
Transferred to group companies	(85,312)
	14,519,105 =====
<u>Accumulated depreciation</u>	
At 30th September 1988	7,837,476
Charged in year	2,075,184
Transferred from group companies	138,948
	10,051,608
On disposals	(796,648)
Transferred to group companies	(34,042)
	9,220,918 =====
<u>Book value 30th September 1989</u>	5,298,187 =====
<u>Book value 30th September 1988</u>	5,292,533 =====

Plant and equipment includes motor vehicles, machinery and fixtures and fittings.

Included in the above figures are fully depreciated assets with a cost of £4,493,297

Depreciation is provided by the straight line method based on the anticipated lives of between 3 and 20 years.

Included at 30th September 1989 is plant and equipment with a cost of £1,840,922 (1988 £1,860,463) and net book value of £427,091 (1988 £458,013) held under finance leases. Depreciation charged for the year is £194,614 (1988 £377,718).

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

	£
8. <u>Shares in subsidiary companies</u>	
At 30th September 1988	-
Additions	133,433,095
Amount written off	(400,688)
	<hr/>
	133,032,407
Revaluations to net asset value	14,106,610
	<hr/>
At 30th September 1989	147,139,017
	=====
<u>Cost</u>	
At 30th September 1989	133,433,095
	=====
At 30th September 1988	-
	=====

Shares are valued at net asset value after adding back any net liabilities (which would be shown as provision for subsidiaries' losses). The Directors consider that this method of valuation fairly reflects the value of the investment.

Group accounts are not submitted as the Company is a wholly owned subsidiary of a company incorporated in Great Britain.

The direct subsidiary companies are listed below. The shares held are ordinary shares and the companies are wholly owned and incorporated in Great Britain.

Subsidiary companies acquired during the year

Allied Business Systems Limited
 Collin Wilson Insurance Brokers (London) Limited
 Trafalgar House Group Finance PLC.
 Trafalgar House Investment Management Limited
 Trafalgar House Pensions Administration Limited
 Trafalgar House Group Estates Limited
 Trafalgar House Information Systems Limited
 Trafalgar House Purchasing & Office Management Limited

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

	<u>1989</u>	<u>1988</u>
	£	£
10. <u>Debtors</u>		
Trade debtors	357,759	84,264
Amounts owed by group companies	120,920,575	24,118,086
Other debtors	753,454	1,422,773
Prepayments and accrued income	3,672,973	3,786,875
	<hr/>	<hr/>
	125,704,761	29,411,998
	=====	=====

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

	<u>1989</u> £	<u>1988</u> £
11. <u>Creditors</u>		
Trade creditors	1,098,307	8,906,441
Amounts owed to group companies	137,093,705	1,182,666
Taxation and social security	6,701,300	5,269,647
Other creditors	3,601,530	2,145,777
Accruals and deferred income	2,239,807	3,345,341
	<hr/>	<hr/>
	150,734,649	20,849,872
	=====	=====
12. <u>Obligations under capitalised finance leases</u>		
Amounts due within one year	112,396	216,489
	=====	=====
Amounts due between 1 and 5 years	177,482	58,814
	=====	=====
Finance leases are capitalised as fixed assets with the obligation to pay future rentals set up as a liability. The finance charge is charged to the profit and loss account.		
13. <u>Called up share capital</u>		
	£	
Issued and fully paid ordinary shares of £1 each		
At 30th September 1988	500,000	
Issued during the year	99,500,000	
	<hr/>	
At 30th September 1989	100,000,000	
	=====	
14. <u>Revaluation reserve</u>		
	£	
At 30th September 1988	-	
Revaluation of subsidiaries to net asset value (note 8)	14,106,610	
	<hr/>	
At 30th September 1989	14,106,610	
	=====	

TRAFALGAR HOUSE GROUP SERVICES LIMITED

NOTES TO THE ACCOUNTS AT 30TH SEPTEMBER 1989

15. Operating leases

Commitments to operating lease payments
within one year are as follows:

In respect of leases expiring		
Within one year	846,586	1,001,702
Between two and five years	6,518,228	5,741,886
	<hr/>	<hr/>
	7,364,814	6,743,588
	=====	=====

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

16. Pension arrangements

The Company's employees are members of defined benefit and defined contribution pension schemes operated by the Trafalgar House Group under which contributions are paid by the Company and by employees.

The assets of the schemes are held in trustee administered funds separate from the finances of the Group.

The Company's contributions are based on the expected cost of pensions across the Trafalgar House Group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the services lives of employees within Group schemes.

Details of the actuarial valuation of the group schemes are contained in the report and accounts of Trafalgar House Public Limited Company.

17. 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.