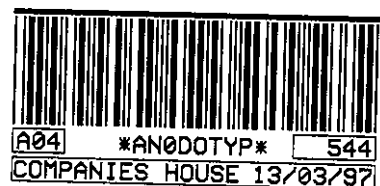


Excellence Plc

Directors' report and consolidated financial statements

31 December 1996

Registered number 2010631



Excellence plc

Directors' report and financial statements

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Excellence plc

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 1996.

Principal activities

The principal activity of the group was that of facilities management, including cleaning, portering, reduced mobility and support services.

Acquisition of subsidiary

During the period, the company acquired 100% of the share capital of AMR Two Flags Aviation Services Limited, a company involved in the provision of airport services. The company has been renamed as Two Flags Aviation Services Limited.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the period of £59,152 is transferred to reserves.

Significant changes in fixed assets

The movement on fixed assets are shown in note 9 to the financial statements.

Directors and directors' interests

The directors who held office during the period were as follows:

PW Cooper
AW Sibley
R Sibley

The directors who held office at the end of the financial period had the following interests in the ordinary shares and debenture shares of the company as recorded in the register of directors' shares:

	Preference shares		Ordinary shares	
	At beginning of period	At end of period	At beginning of period	At end of period
AW Sibley	170,709	Nil	11,862	182,571
R Sibley	170,708	Nil	11,863	182,571

The other director who held office at the end of the financial period did not have any disclosable interest in the shares of the company.

Donations

The total charitable donations for the period is £1,090.

Excellence plc

Directors' report *(continued)*

Creditor payment policy

The policy on creditor payments is to pay within 60 days.

Employees

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Segmental reporting

The directors would consider this prejudicial to the commercial interests of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


KH Green
Secretary

The Stables
Hexton Manor
Hexton
Herts
SG5 3JH

26 February 1997

Excellence plc

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 Waterloo Way
Leicester
LE1 6LP

Auditors' report to the members of Excellence Plc

We have audited the financial statements on pages 5 to 26.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

11 March 1997.

Excellence plc

Consolidated profit and loss account for the period ended 31 December 1996

	Note	Period ended 31 December 1996 £ £	6 months ended 30 June 1995 £ £
Turnover	<i>1</i>		
Continuing operations		11,163,011	3,274,022
Acquisitions		<u>527,479</u>	<u>-</u>
		11,690,490	3,274,022
Cost of sales		<u>(9,602,325)</u>	<u>(2,590,390)</u>
Gross profit		2,088,165	683,632
Administrative expenses		<u>(1,953,450)</u>	<u>(588,450)</u>
Operating profit			
Continuing operations		98,715	95,182
Acquisitions		<u>36,000</u>	<u>-</u>
		134,715	95,182
Exceptional items		-	(71,704)
Other interest receivable and similar income	<i>5</i>	3,345	-
Interest payable and similar charges	<i>6</i>	<u>(78,908)</u>	<u>(13,469)</u>
Profit on ordinary activities before taxation	<i>2</i>	59,152	10,009
Tax on profit on ordinary activities	<i>7</i>	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		<u>59,152</u>	<u>10,009</u>
Retained profit for the financial year		<u>59,152</u>	<u>10,009</u>
The company		54,685	10,009
Group undertakings		<u>4,467</u>	<u>-</u>
		<u>59,152</u>	<u>10,009</u>

The company had no recognised gains or losses other than the profit for the period.

Excellence plc

Consolidated balance sheet at 31 December 1996

	Note	31 December 1996		30 June 1995	
		£	£	£	£
Fixed assets					
Intangible assets	8	320,648		236,791	
Tangible assets	9	232,800		308,194	
Investments	10	-		100	
		<u>553,448</u>		<u>545,085</u>	
Current assets					
Stocks	11	19,501		13,501	
Debtors	12	1,355,517		1,207,237	
Cash at bank and in hand		106,533		170,387	
		<u>1,481,551</u>		<u>1,391,125</u>	
Creditors: amounts falling due within one year	13	<u>(1,448,769)</u>		<u>(1,415,743)</u>	
Total net current assets/(liabilities)		<u>32,782</u>		<u>(24,618)</u>	
Total assets less current liabilities		586,230		520,467	
Creditors: amounts falling due after more than one year	14	<u>(33,831)</u>		<u>(38,428)</u>	
		<u>552,399</u>		<u>482,039</u>	
Convertible loan	18	-		288,792	
Capital and reserves					
Called up share capital	15	786,968		786,968	
Profit and loss account	16	(534,569)		(593,721)	
Deep discounted bond	19	300,000		-	
		<u>552,399</u>		<u>193,247</u>	
Equity		252,399		(876,260)	
Non equity	17	300,000		1,069,507	
		<u>552,399</u>		<u>482,039</u>	

These financial statements were approved by the board of directors on 26 February 1997 and were signed on its behalf by:

PW Cooper
Director

KPMG

Play

Excellence plc

Balance sheet at 31 December 1996

	Note	31 December 1996		30 June 1995	
		£	£	£	£
Fixed assets					
Intangible assets	8	218,582		236,791	
Tangible assets	9	214,975		308,194	
Investments	10	42,748		100	
			<u>476,305</u>		<u>545,085</u>
Current assets					
Stocks	11	19,501		13,501	
Debtors	12	1,256,031		1,207,237	
Cash at bank and in hand		64,273		170,387	
			<u>1,339,805</u>		<u>1,391,125</u>
Creditors: amounts falling due within one year	13	<u>(1,234,347)</u>		<u>(1,415,743)</u>	
Total net current assets/(liabilities)			<u>105,458</u>		<u>(24,618)</u>
Total assets less current liabilities			<u>581,763</u>		<u>520,467</u>
Creditors: amounts falling due after more than one year	14		<u>(33,831)</u>		<u>(38,428)</u>
			<u>547,932</u>		<u>482,039</u>
Convertible loan	18		-		288,792
Capital and reserves					
Called up share capital	15	786,968		786,968	
Profit and loss account	16	(539,036)		(593,721)	
Deep discounted bond	19	300,000		-	
			<u>547,932</u>		<u>193,247</u>
Equity					
Non equity	17		<u>247,932</u>		<u>(876,260)</u>
			<u>300,000</u>		<u>1,069,507</u>
			<u>547,932</u>		<u>482,039</u>

These financial statements were approved by the board of directors on 26 February 1997 and were signed on its behalf by:

PW Cooper
Director

Excellence plc

Consolidated cash flow statement for the period ended 31 December 1996

	<i>Note</i>	31 December 1996 £	30 June 1995 £
Cashflow from operating activities	24	202,775	336,779
Return on investments and servicing of finance	25	(75,563)	(13,469)
Capital expenditure and financial investment	25	(133,498)	(75,148)
Acquisitions and disposals	25	(27,339)	(242,791)
Cash outflow before financing		(33,625)	5,371
Financing increase/(reduction) in debt	25	(7,329)	261,618
(Decrease)/increase in cash in the period		(40,954)	266,989

Reconciliation of net cashflow to movement in net debt for the period ended 31 December 1996

	<i>Note</i>	31 December 1996 £	30 June 1995 £
(Decrease)/increase in cash in the period		(40,954)	266,989
Cash (outflow)/inflow from (decrease)/increase in debt		7,329	(261,618)
Movement in net debt in the period		(33,625)	5,371
Net debt at 1 July 1995	26	(253,240)	(258,611)
Net debt at 31 December 1996	26	(286,865)	(253,240)

Excellence plc

Reconciliation of movements in shareholders' funds for the period ended 31 December 1996

		Group		Company	
	Note	31 December 1996 £	30 June 1995 £	31 December 1996 £	30 June 1995 £
Opening shareholders funds		193,247	183,238	193,247	183,238
Issue of deep discounted bond		300,000	-	300,000	-
Profit for the financial year		59,152	10,009	24,685	10,009
		<u>552,399</u>	<u>193,247</u>	<u>517,932</u>	<u>193,247</u>
Closing shareholders' funds					
Analysed between:					
Equity funds		252,399	(876,260)	217,932	(876,260)
Non equity funds	17	300,000	1,069,507	300,000	1,069,507
		<u>552,399</u>	<u>193,247</u>	<u>517,932</u>	<u>193,247</u>

Excellence plc

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The group accounts consolidate the accounts of Excellence plc and all its subsidiary undertakings. These accounts are made up to 31 December 1996.

The consolidated accounts are based on accounts of subsidiary undertakings which are coterminous with those of the parent company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised over 20 years. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserves.

In the company's accounts, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Excellence plc is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Excellence plc is disclosed in note 23 to these accounts.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	33 $\frac{1}{3}$ % per annum straight line
Motor vehicles	-	25% per annum straight line (1995 : 25% reducing balance)
Fixtures and fittings	-	20% per annum straight line (1995 : 20% reducing balance)

Excellence plc

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill relating to the purchase of UK Services and Two Flags Aviation Services Limited is amortised over a period of 20 years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of those businesses.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the period.

Excellence plc

Notes (continued)

2 Profit on ordinary activities before taxation

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	16,025	15,849
Other services	21,642	9,086
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	108,435	40,955
Leased	22,431	17,829
Hire of plant and machinery - rentals payable under operating leases	50,774	8,153
Exceptional items	-	71,704
	<hr/>	<hr/>

3 Remuneration of directors

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
Directors' emoluments	214,707	50,679
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman and highest paid director for the period were £82,897 (1995 6 month period : £8,588).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

			Number of directors	
			Eighteen months ended 31 December 1996	Six months ended 30 June 1995
£ 5,001	-	£10,000	-	3
£10,001	-	£15,000	-	2
£55,001	-	£60,000	1	-
£70,001	-	£75,000	1	-
£80,001	-	£85,000	1	-

Excellence plc

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, were as follows:

	Number of employees	
	1996	1995
Directors	3	3
Administration	26	22
Operatives	1,247	1,271
	<u>1,276</u>	<u>1,296</u>

The aggregate payroll costs of these persons were as follows:

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
Wages and salaries	8,629,071	2,345,175
Social security costs	198,110	107,480
Pension costs	363	-
	<u>8,827,544</u>	<u>2,452,655</u>

5 Other interest receivable and similar income

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
Bank interest	3,295	-
Other	50	-
	<u>3,345</u>	<u>-</u>

Excellence plc

Notes (continued)

6 Interest payable and similar charges

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
On bank loans, overdrafts and other loans wholly repayable within five years	3,977	8,753
On all other loans	51,835	-
Finance charges payable in respect of finance leases and hire purchase contracts	22,740	4,716
Other	356	-
	<u>78,908</u>	<u>13,469</u>

7 Taxation

	Eighteen months ended 31 December 1996 £	Six months ended 30 June 1995 £
Corporation tax 25 %	-	-

8 Intangible fixed assets Company

Cost

At beginning of period and end of period	<u>242,791</u>
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Amortisation

At beginning of period	6,000
Charged in period	18,209

24,209

Net book value

At 31 December 1996	<u>218,582</u>
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At 30 June 1995	<u>236,791</u>
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Excellence plc

Notes (continued)

8	Intangible fixed assets (continued)	
	Group	Goodwill £
	<i>Cost</i>	
	At beginning of period	242,791
	Additions - acquisition of Two Flags Aviation Services Limited	104,033
		<u>346,824</u>
	At 31 December 1996	
	<i>Amortisation</i>	
	At beginning of period	6,000
	Charged in period	20,176
		<u>26,176</u>
	At 31 December 1996	
	<i>Net book value</i>	
	At 31 December 1996	<u>320,648</u>
	At 30 June 1995	<u>236,791</u>

9	Tangible fixed assets			
	Company			
		Plant and machinery £	Fixtures fittings tools and equipment £	Motor vehicles £
				Total £
	<i>Cost</i>			
	At beginning of period	351,600	89,202	262,277
	Additions	88,077	1,354	65,118
	Disposals	(650)	-	(79,676)
		<u>439,027</u>	<u>90,556</u>	<u>247,719</u>
	At end of period			<u>777,302</u>
	<i>Depreciation and diminution in value</i>			
	At beginning of period	233,697	52,939	108,249
	Charge for period	114,254	9,756	94,446
	Disposals	(144)	-	(50,870)
		<u>347,807</u>	<u>62,695</u>	<u>151,825</u>
	At end of period			<u>562,327</u>
	<i>Net book value</i>			
	At 31 December 1996	<u>91,220</u>	<u>27,861</u>	<u>95,894</u>
	At 30 June 1995	<u>117,903</u>	<u>36,263</u>	<u>154,028</u>

Included in the total net book value of fixed assets is £108,435 (1995 : £129,119) in respect of assets held under hire purchase and finance leases. Depreciation for the period on these assets was £79,706 (1995 : £17,829 for six months).

Excellence plc

Notes (continued)

9 Tangible fixed assets (continued)

Group	Plant and machinery £	Fixtures fittings tools and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of period	351,600	89,202	262,277	703,079
Additions	112,874	5,289	112,428	230,591
Disposals	(650)	-	(83,276)	(83,926)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	463,824	94,491	291,429	849,744
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>				
At beginning of period	233,697	52,939	108,249	394,885
On acquisitions	20,495	1,476	30,901	52,872
Charge for period	116,410	10,052	97,316	223,778
Disposals	(144)	-	(54,447)	(54,591)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	370,458	64,467	182,019	616,944
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1996	<u>93,366</u>	<u>30,024</u>	<u>109,410</u>	<u>232,800</u>
At 30 June 1995	<u>117,903</u>	<u>36,263</u>	<u>154,028</u>	<u>308,194</u>

Included in the total net book value of fixed assets is £108,435 (1995 : £129,119) in respect of assets held under hire purchase and finance leases. Depreciation for the period on these assets was £79,706 (1995 : £17,829 for six months).

Excellence plc

Notes (continued)

10	Fixed asset investments	
	Company	Shares in group undertakings £
	<i>Cost</i>	
	At beginning of period	100
	Amounts written off	(100)
	Cost of acquisition on Two Flags Aviation Services Limited	42,748
		<hr/>
	At end of period	42,748
		<hr/>

	Group	Shares in group undertakings £
	<i>Cost</i>	
	At beginning of period	100
	Amounts written off	(100)
		<hr/>
	At end of period	-
		<hr/>

11	Stocks				
		Group		Company	
		31 December 1996	30 June 1995	31 December 1996	30 June 1995
		£	£	£	£
	Raw materials and consumables	19,501	13,501	19,501	13,501
		<hr/>	<hr/>	<hr/>	<hr/>

12	Debtors: due within one year				
		Group		Company	
		31 December 1996	30 June 1995	31 December 1996	30 June 1995
		£	£	£	£
	Trade debtors	1,183,289	1,099,318	990,504	1,099,318
	Other debtors	7,544	10,314	7,544	10,314
	Prepayments and accrued income	164,684	97,605	109,262	97,605
	Amounts due from subsidiaries	-	-	148,721	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,355,517	1,207,237	1,256,031	1,207,237
		<hr/>	<hr/>	<hr/>	<hr/>

Excellence plc

Notes (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	31 December	30 June	31 December	30 June
	1996	1995	1996	1995
	£	£	£	£
Bank loans and overdrafts	22,121	40,238	22,121	40,238
Obligations under finance leases and hire purchase contracts	37,446	56,169	37,446	56,169
Trade creditors	270,867	355,909	252,448	355,909
Other creditors including taxation and social security:				
Other taxes and social security	471,517	399,629	379,581	399,629
Other creditors	297,040	301,057	243,601	301,057
Accruals and deferred income	349,778	262,741	299,150	262,741
	<u>1,448,769</u>	<u>1,415,743</u>	<u>1,234,347</u>	<u>1,415,743</u>

Other creditors of £297,040 are secured by a fixed charge over the debtors of the group.

Bank overdraft is secured by a floating charge over the assets of the group.

Excellence plc

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	31 December	30 June	31 December	30 June
	1996	1995	1996	1995
	£	£	£	£
Bank loans and overdrafts	-	4,783	-	4,783
Obligations under finance leases and hire purchase contracts	33,831	33,645	33,831	33,645
	<u>33,831</u>	<u>38,428</u>	<u>33,831</u>	<u>38,428</u>

Creditors payable by instalments

	Instalments payable within five years	
	31 December	30 June
	1996	1995
	£	£
Group	-	4,783
Company	-	4,783

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	31 December	30 June	31 December	30 June
	1996	1995	1996	1995
	£	£	£	£
Within one year	37,446	56,169	37,446	56,169
In the second to fifth years	33,831	33,645	33,831	33,645
	<u>71,277</u>	<u>89,814</u>	<u>71,277</u>	<u>89,814</u>

Excellence plc

Notes (continued)

15 Called up share capital

	31 December 1996 £	30 June 1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,350,000	500,000
7½% redeemable preference shares of £1 each	-	850,000
	<u>1,350,000</u>	<u>1,350,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	773,468	1,100
7½% redeemable preference shares of £1 each	-	772,368
	<u>773,468</u>	<u>773,468</u>
<i>Allotted, called up and 25p part paid</i>		
Ordinary shares of £1 each	13,500	13,500
	<u>13,500</u>	<u>13,500</u>
	<u>786,968</u>	<u>786,968</u>

The authorised share capital was amended by special resolution to 1,350,000 ordinary shares of £1 each.

During the period, the redeemable preference shares were converted to ordinary shares on a one for one basis. This was in consideration for the preference shareholders waiving their rights to the accrued dividends.

16 Reserves

	Group Profit and loss account £	Company Profit and loss account £
At 1 July 1995	(593,721)	(593,721)
Retained profit for the period	59,152	54,685
	<u>59,152</u>	<u>54,685</u>
At 31 December 1996	<u>(534,569)</u>	<u>(539,036)</u>

Excellence plc

Notes (continued)

17 Non-equity shareholders' funds

	31 December 1996 £	30 June 1995 £
Nominal value issued preference shares of £1 each	-	772,368
Accumulated arrears on preference dividends	-	297,139
Deep discounted bond	<u>300,000</u>	<u>-</u>
Non-equity shareholders' funds	<u>300,000</u>	<u>1,069,507</u>

The accumulated arrears on preference dividends were waived by the holders of those shares.

18 Convertible loan

The convertible loan is a long term loan which was converted to a deep discounted bond during the year.

19 Deep discounted bond

The deep discounted bond was issued during the year at a discount of 62%. The earliest date of redemption is 31 December 1999 for £400,000.

20 Contingent liabilities

The company had performance bonds totalling £44,532 in existence at 31 December 1996 (1995 : £24,559).

21 Exceptional items

The exceptional items charged to the profit and loss account for the six months ended 30 June 1995 totalled £71,704.

These comprised £67,949 of costs related to the acquisition of UK Services and £3,755 relating to the collapse to the computer system.

Excellence plc

Notes (continued)

22 Acquisition of business

On 16 August 1996, the company acquired the trade and assets of Two Flags Aviation Services Limited. Details of the assets and liabilities acquired are set out below.

	Book value £
Fixed assets	
Tangible	23,171
Current assets	
Debtors	166,224
Cash at bank	15,409
	<hr/>
Total assets	204,804
	<hr/>
Liabilities	
Trade creditors	12,653
Other creditors	215,766
Accruals	37,670
	<hr/>
Total liabilities	266,089
	<hr/>
Net liabilities	61,285
	<hr/>

No fair value adjustments were made on acquisition and hence book value represents fair value to the group.

Goodwill of £104,033 calculated as the difference between the purchase consideration of £42,748, and the fair value of the liabilities of £61,285 has been capitalised and will be amortised over 20 years. The acquisition method of accounting has been adopted.

In the opinion of the directors, the results of the previous year would not be comparable and therefore have not been disclosed.

Excellence plc

Notes (continued)

23 Commitments

- (i) Capital commitments at the end of the year for which no provision has been made totalled nil (1995 : £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	31 December 1996	30 June 1995
	Land and buildings £	Land and buildings £
Operating leases which expire:		
Over five years	<u>18,500</u>	<u>19,520</u>

24 Reconciliation of operating profit to net cash inflow from operating activities

	31 December 1996 £	30 June 1995 £
Operating profit	134,715	95,182
Depreciation charge	223,778	58,784
Loss on sale of tangible fixed assets	8,286	774
Increase in stocks	(6,000)	-
Decrease/(increase) in debtors	17,943	(664,389)
(Decrease)/increase in creditors	(196,223)	912,132
Other items - exceptional	-	(71,704)
Investments in subsidiary written off	100	-
Goodwill amortisation	<u>20,176</u>	<u>6,000</u>
Net cash inflow from operating activities	<u>202,775</u>	<u>336,779</u>

Excellence plc

Notes (continued)

25 Analysis of cashflows for headings netted in the cashflow statement

	31 December 1996		30 June 1995	
	£	£	£	£
Return on investments and servicing of finance				
Interest paid	(56,168)		(8,753)	
Hire purchase interest	(22,740)		(4,716)	
Interest received	3,345		-	
	<u></u>		<u></u>	
Net cash outflow for returns on investments and servicing of finance		<u>(75,563)</u>		<u>(13,469)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(154,548)		(84,374)	
Sale of tangible fixed assets	21,050		9,226	
	<u></u>		<u></u>	
Net cash outflow for capital expenditure and financial investment		<u>(133,498)</u>		<u>(75,148)</u>
Acquisitions and disposals				
Purchase of subsidiary undertakings	(27,339)		-	
Purchase of UK Services Limited	-		(242,791)	
	<u></u>		<u></u>	
Net cash outflow for acquisitions and disposals		<u>(27,339)</u>		<u>(242,791)</u>
Financing				
Capital element of finance lease rental payments	(7,329)		(22,390)	
Increase in debt	-		284,008	
	<u></u>		<u></u>	
Net cash (outflow)/inflow from financing		<u>(7,329)</u>		<u>261,618</u>

Excellence plc

Notes (continued)

26 Analysis of net debt

	At 1 July 1995 £	Cashflow £	At 31 December 1996 £
Cash in hand and at bank	170,387	(63,854)	106,533
Overdraft	(45,021)	22,900	(22,121)
Finance leases	(89,814)	18,537	(71,277)
Debt due after more than one year	<u>(288,792)</u>	<u>(11,208)</u>	<u>(300,000)</u>
	<u>(253,240)</u>	<u>(33,625)</u>	<u>(286,865)</u>

27 Purchases of subsidiary undertakings

	Purchases	
	1996 £	1995 £
Tangible fixed assets	23,171	-
Debtors	166,224	-
Cash at bank and in hand	15,409	-
Creditors	<u>(266,089)</u>	<u>-</u>
	(61,285)	-
Goodwill	<u>104,033</u>	<u>-</u>
Consideration given/received	<u>42,748</u>	<u>-</u>
Satisfied by Cash	<u>42,748</u>	<u>-</u>

The subsidiary undertakings acquired during the year contributed £28,434 (1995 : £Nil) to the group's net operating cash flows, paid £2,033 (1995 : £Nil) in respect of net returns on investments and servicing of finance, paid £Nil (1995 : £Nil) in respect of taxation and received £450 (1995 : £Nil) from investing activities.

Excellence plc

Notes *(continued)*

28 **Subsidiary undertakings**

Excellence plc is the immediate parent company of Two Flags Aviation Services Limited, a company incorporated in England.

29 **Transactions with directors**

AW Sibley and R Sibley have an interest in Servicekare Group Limited which supplied services to the company at open market value. These amounted to £Nil (1995 : £7,500).

A Sibley has an interest in Excellence Equestrian Limited which has an outstanding debtor balance due to the company at the year end of £Nil (1995 : £5,221).

30 **Ultimate holding company**

The ultimate holding company is Southwind Limited, a company registered in the Channel Islands.