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## DIRECTORS, OFFICERS AND ADVISERS

### Directors

R J Pritchard *Honorary President*  
P R Pritchard *Chairman and Chief Executive*  
N F Baldock  
D Dudley Morgan  
R C O'Donoghue  
A R Philipson

### Secretary

H R N Jamieson

### Registered Office

11 Stanhope Gate  
London W1Y 5LB

### Registrars

National Westminster Bank PLC  
Registrar's Department  
National Westminster Court  
37 Broad Street  
Bristol BS99 7NH

### Auditors

Longcrofts  
Longcroft House  
Victoria Avenue  
Bishopsgate  
London EC2M 4NS

### Solicitors

Theodore Goddard  
16 St Martin's-le-Grand  
London EC1A 4EJ

### Stockbrokers

Rowe & Pitman Ltd  
1 Finsbury Avenue  
London EC2M 2PA

## NOTICE OF MEETING

PLC

Notice is hereby given that the Seventy Seventh Annual General Meeting of the Company will be held at the Inn on the Park, Hamilton Place, Park Lane, London, W1 on 7th July 1986 at 12 noon for the following purposes:

1. To receive the Report of the Directors and the Accounts for the financial year ended 29th December 1985.
2. To declare a final dividend.
3. To elect Directors.
4. To re-appoint Longerofts as the Company's auditors and to authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:
  - a) That the authority for the Directors to allot or offer or agree to allot Relevant Securities contained in Article 19 of the Company's Articles of Association be further renewed and varied to cover Relevant Securities up to the total nominal value of £4,814,567.25 for the period to 7th July 1991; and
  - b) That the Disapplication Power (concerning the exclusion of statutory pre-emption rights) contained in Article 20 of the Company's Articles of Association and relating to the allotment of Equity Securities for cash be renewed in respect of 6,800,000 shares for the period to the conclusion of the next following Annual General Meeting.

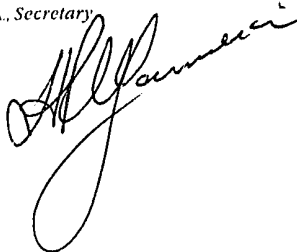
## Notes:

- a A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, upon a poll, vote in his stead.
- b A proxy need not also be a member.
- c If confirmed at the Annual General Meeting it is proposed to pay a final dividend on 11th August 1986 to shareholders on the register at 4th July 1986.
- d Particulars of transactions of Directors and their family interests in shares of the Company and copies of contracts of service of Directors with the Company will be available for inspection by members at the Registered Office of the Company during the usual business hours from the date of this notice and at the Inn on the Park for fifteen minutes prior to and until the conclusion of the Annual General Meeting.

By order of the Board

H R N Jamieson C.A., Secretary

Registered Office  
11 Stanhope Gate  
London W1Y 5LB  
30th May 1986



## CHAIRMAN'S STATEMENT

### A DIFFICULT YEAR BUT AN ENCOURAGING START TO 1986



*Peter R Pritchard,  
Chairman and  
chief executive*

Whilst most of our mainstream businesses worldwide performed well in a continuing competitive environment, 1985 was a difficult and disappointing year which interrupted two decades of virtually continuous growth. Turnover at £412m. compared with £446m. suffered from an £80m. adverse currency exchange effect which masked a largely organic real growth of some 10%. Operating profits are 27% lower at £15.6m. and profits before tax have declined from 1984's record £15m. to £10m. Earnings per share are reduced from 9.75p to 6.53p per share.

The main reasons for this disappointing result are:—

- year-end currency translations reducing operating profits by approximately £1.8m.
- a reduction of £2.2m. in operating profits of subsidiary companies.
- a shortfall of £1.8m. in associate company earnings.

Expanding on these points:

1985 suffered fairly dramatic fluctuations in the value of sterling. Operating as we do on an international scale, year-end translation had a significant impact on both earnings and the Group's balance sheet. As already mentioned it affected turnover and operating profits negatively; conversely it had a positive effect on debt and net interest expense.

The second half of 1985, in North America in particular, was a time of change. Building maintenance and security services in Canada failed

to show an improvement on the poor first-half performance. Consequent management changes are now correcting this situation. Catering and vending in the USA did not produce the expected improvement following the termination of a substantial loss-making contract and the effects of unseasonably dry Spring weather. Management changes followed the departure of the founders and significant cost reductions were instituted in the latter part of the year. Further benefits are expected as implementation of this ongoing process continues during the course of this year. Marketing competence has been enhanced and it is pleasing to report that initial indications are favourable. Indicative of the initiatives being taken is the award of the prestigious special events contract for the reopening of the Statue of Liberty over Independence weekend where an estimated two to three million attendance will be catered for by Food Concepts Inc. Profits for our first quarter are on plan and, in dollar terms, are about 60% of the trading results for the whole of last year.

The remaining principal problem lay in home health care. Significant marketing and administrative costs were incurred with the objective of achieving a markedly enhanced level of turnover. Whilst this is now happening it did not offset the costs incurred sufficiently rapidly, and the business traded at a considerable loss. This year, our first quarter's results are much more encouraging with turnover at an all-time high and 28% up on the comparative period of last year. In fact, the results of our third period both in turnover and operating profit terms are the highest recorded over the past three years.

Finally, the investment in new enterprises is in areas where we expect to achieve good organic growth in the medium to long term. We do not expect to see UK hospital support services in profit during the current year but we do expect a substantial reduction in the costs of support as new contracts are awarded. In Australasia and the USA, where we now have a growing number of retirement complexes coming under our management, costs of establishment during the past year have been considerable. We anticipate a good future in a major new market sector for our specialist companies.

In combination, these factors reduced profits from subsidiaries by approximately £4.5m at constant exchange rates of which £0.8m is attributable to these new business developments.

## CHAIRMAN'S STATEMENT (CONTINUED)

### ENCOURAGING

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Associate profits arise primarily in the Middle East where we have a number of joint ventures. In general the economy in this region is depressed and may well remain so for some time to come. In the past we have enjoyed substantial profits from these ventures and may well do so again when circumstances improve.

The collapse of ICC Oil Services plc has resulted in an extraordinary debt in respect of our substantial minority stake but has not affected the Group's trading. The Group has discussed its financial position with its bankers, who support the Group in its recovery plans and have agreed to continue their facilities on a secured basis. It is intended, under this interim agreement, that a formal restructuring of the Group's facilities will take place as soon as practicable and in any event no later than 2nd January, 1987. Under this agreement any dividend payment requires the banks' approval.

The company has paid increased dividends since 1968. However, in view of the disappointing trading results in 1985 and the write-offs associated with the collapse of ICC, the Board believes that, despite the encouraging start to the year, it is appropriate to recommend a final dividend of 1.45p (1984: 2.7p). This is half the rate that the Board would otherwise have expected to pay and taken with the interim dividend of 1.1p gives a total for the year of 2.55p (1984: 3.8p). The Board is determined to restore the dividend to the previous level and to resume the increasing trend of earlier years as soon as practicable.

Net debt has reduced from £60m. to £54m. and a further reduction is envisaged this year through the sale of properties surplus to operational requirements, the disposal of peripheral activities and operational cash flow.

**1986 has started on an encouraging note with management accounts showing profits before tax in the first quarter up by about a third on last year at constant exchange rates. Contributing strongly to this performance are our North American results. With minimal contribution from associates, particularly those in the Middle East, we are now seeing the benefit of a business mix whereunder nearly all of our profits derive from our mainstream businesses with over 80% of turnover in contract services of a regular and recurring nature. Thus the quality of our earnings is now much enhanced.**

In service industries people are the product and in 1985 our people continued to provide outstanding service in the cleaning, health care, textile rental and catering industries which form the core of Pritchard today. It takes time and dedication to build the *esprit de corps* that makes a successful people business and we intend to stay in the industries that we know that we can build on.

I would like to thank all our people for their unswerving support in 1985.



Peter R Pritchard

## MANAGEMENT'S REVIEW OF OPERATIONS

### UNITED KINGDOM AND IRELAND



*Left to Right,  
Managing directors  
Mike Stubbs - Pritchard  
Janitorial Supplies Ltd;  
Paul Dodd - Pritchard  
Security Services Ltd;  
Allan Ward - Crothall &  
Company Ltd;  
Jim Pyner - Pritchard  
Services Ltd;  
Brian Mowbray - Spring  
Grove Services Ltd;  
seated  
Tony Phillipson -  
Divisional chief executive  
UK, Europe, Middle East,  
and South Africa*

In 1985 four of the five UK principal businesses relocated in their new separate head offices designed to accommodate each company's planned expansion. Progress was satisfactory despite the inevitable disruptions and cost.

Spring Grove Services continued to consolidate its position as a leading supplier in the cabinet towel and workwear rental markets, justifying more than amply the decision to acquire it in 1983. Concrete moves were made to extend operations in mainland Europe with a view to repeating the current success of the Irish textile rental operation. Pritchard Services Ltd. maintained its position as a leader in an extremely competitive building maintenance market and Pritchard Janitorial Supplies formally established itself as a leading distributor of cleaning products and equipment.

The UK customer can now have a wide range of his service needs fulfilled by group companies, and the scope for further cross fertilisation of business activity is substantial. 1986 will see realisation of some of this potential by strengthened management teams that are well equipped for the task.

#### *Building maintenance*

Pritchard Services Ltd. acquired a new name and new premises in London's fast growing Docklands development area. Despite an extremely competitive environment, new business growth well exceeded that of recent years in real terms. Unfortunately this was accompanied by higher than normal contract losses mainly resulting from intense price competition on tenders. Nevertheless the business performed well in achieving close to historical margins.

The consolidation of the B. A. Lester acquisition, made in March 1984, into the London areas continued efficiently and helped maintain our pre-eminent position in this market. Growth in Scotland and the North-West was also noteworthy where a large number of new contracts were won including the new Scottish Exhibition Centre contract in Glasgow and the British Aerospace plant and offices contract in Preston.

The Irish cleaning business failed to make any substantial progress towards its profit objectives during 1985, as a result of which, during the latter part of the year, it was amalgamated with its stronger sister company, Spring Grove Services. It is anticipated that a reduced overhead base and a more unified marketing strategy will yield some improvement in 1986.

It is disappointing to report the lack of growth in the municipal services market. Pritchard Industrial Services has managed its small contract base efficiently for more than three years, providing a value for money service to the ultimate benefit of the ratepayer. The lack of initiative at local authority level in testing the cost of refuse collection and street cleaning services by competitive tender, combined with the Government's decision not to include in its current legislative programme measures obliging the authorities to test the private sector, is to be regretted.

#### *Hospital support services*

Although 1985 was not an easy year for Crothall, the company enhanced its position as market leader and won new contracts at hospitals located in areas of the country in which the company had not previously operated. In the past the company's operations had been based mainly in the Home Counties but its contracts are now spread more widely throughout the country.

The company continues to offer good quality services and substantial savings to the financially hard-pressed health authorities it serves and, although the market has continued to grow, extremely difficult conditions of contract and unbalanced monitoring procedures have inevitably led to a more selective process of response to tender invitations. This is regretted as, in the long term, the NHS will not achieve the volume of savings which the Government envisaged. The Griffiths report and resultant management changes within the NHS structure are welcome moves which, when fully implemented, should provide a more mature and practical environment in which the

*1, 2, 3, 4 Skilled  
operatives of Pritchard  
Services Ltd. carry out a  
variety of maintenance  
tasks in Citibank's London  
head office.*

*5 Street lamps and signs  
cleaned by Pritchard  
Services Ltd. for  
Westminster City Council.*

# ATIONS

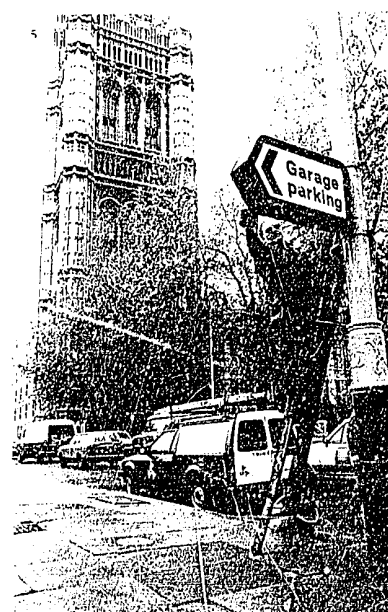
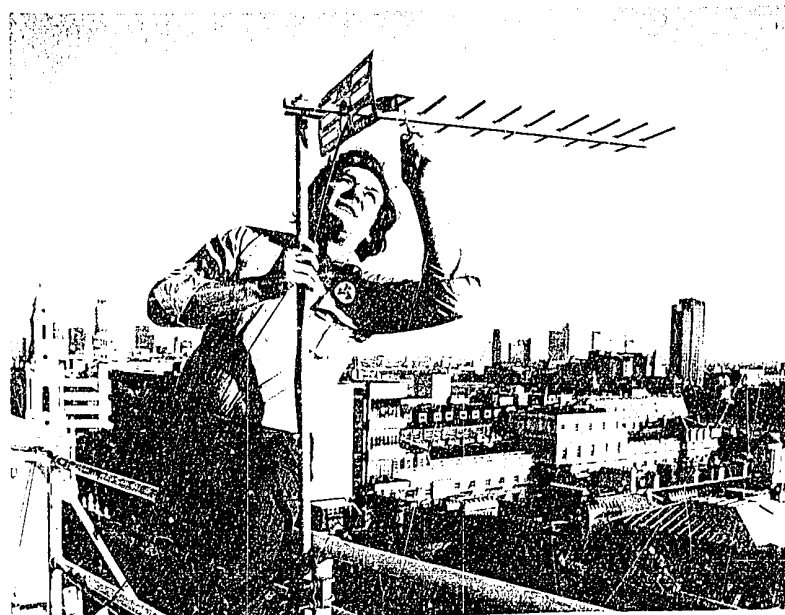
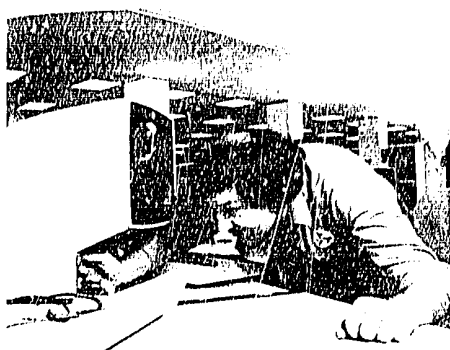
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## MANAGEMENT'S REVIEW OF OPERATIONS (CONTINUED)

### UNITED KINGDOM AND IRELAND

standards of service can be properly set and established.

1986 has seen a marked increase in the number of invitations to tender and Crothall has restructured and strengthened its management team to ensure that appropriate opportunities are realised. The company will also ensure that customer relationships across the whole range of interested parties on the hospital sites will be carefully nurtured.

#### *Textile rental*

1985 saw the previous year's reorganisation continue to bear fruit and Spring Grove surpassed its budget by a comfortable margin. In a year of further change, the Head Office was moved successfully from Henley to Basingstoke, and the Hanworth plant was closed to bring total processing capacity more in line with projected need. Additional reorganisation was effected at the Grangemouth plant in Scotland that had a positive effect on results. All these actions will continue to have a beneficial impact in the current year.

Continued investment was made in the company's sales force which resulted in the award of a wide range of contracts, including County Councils and the Government Property Services Agency, as well as further penetration of the market for workwear and corporate uniforms.

Irish operations also saw the benefit of prior year reorganisation and rationalisation. Both turnover and profit grew significantly and surpassed budget, and further progress is expected in 1986.

#### *Hygiene products distribution*

Following the acquisitions made in 1984 and early 1985, Pritchard Janitorial Supplies' turnover grew by 29% but trading profit remained static. A move of premises and the introduction of a new data processing system resulted in higher than budget overhead costs. However the benefits from improved management information will accrue in 1986.

In the Regions, Scotland performed well as did the larger branches in the South. Towards the year-end, the benefits of a national distribution structure began to show with the securing of national supply agreements with some larger customers such as The Post Office. The company remains in a unique position within the industry and is now the national distributor for six leading manufacturers. During 1986 the company is planning to work even more closely with its major suppliers for further profitable development.

#### *Security*

Cash-in-transit continued to be a difficult business in 1985 and further programmes of price increases and route rationalisation were necessary. This particular market is, however, now showing signs of a return to more sensible price levels.

The guarding business performed well and sales growth was good by historical standards. In particular, the larger high street retailers and shopping centres now represent an important market segment. Geographic expansion was limited but a new branch in Nottingham was opened. The company now has twenty-two branches and can offer a comprehensive national coverage for its wide range of security services.

*A selection from Spring Grove's new workwear range in the revolutionary new "Challenger" fabric, which combines the advantages of cotton with those of polycotton, whilst eliminating most of their disadvantages.*

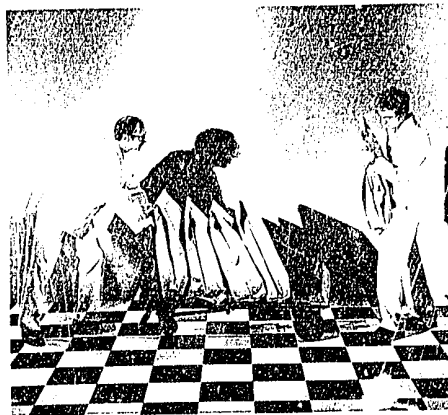


## SECTIONS

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## MANAGEMENT'S REVIEW OF OPERATIONS (CONTINUED)

### EUROPE, SOUTH AFRICA AND THE MIDDLE EAST

There was significant increase in contribution from the companies within this geographic grouping. Despite further improvements in results from our French and Belgian operations, however, it was decided that the inherent difficulties of operating in these markets would never permit full achievement of the necessary returns and, for this reason, both businesses were sold in December.

#### West Germany

Results from operations in Germany were poor in a period when the building maintenance and machinery cleaning operations were combined under one management in a new head office in Düsseldorf. As a result of these actions, many one-off costs were incurred but, under its new management, the company is now in better shape to trade within this difficult market.

In Hamburg, Spring Grove Services, a small textile rental business, acquired new premises and its own processing facility and should make a small contribution in 1986.

#### The Netherlands

In November, Spring Grove Services B.V. moved to a custom-built new laundry in Rotterdam, where the opening ceremony was performed by the British Ambassador to The Netherlands. The plant features a number of innovations aimed at efficient usage of water and energy and provides an essential platform for the broadening of the company's business base.

Business performance in building maintenance operations was sustained and continues to match all expectations.

#### Spain

1985 was the best year in the history of Pritchard Española, with efforts mainly concentrated in the Madrid area. Good results were obtained from the national railway contracts with RENFE and the aircraft valeting business at Barajas airport also produced its best-ever contribution. This contract was renewed for a further two years early in 1986.

#### South Africa

Good sales growth was achieved in both building maintenance and security operations but high levels of inflation hit operating costs and caused a small decline in margins; trading profits increased modestly over the prior year but were adversely affected by devaluation of the rand. During the year, the company's management team was reorganised and strengthened and we are well placed to take advantage of such opportunities that the uncertain economic and social environment allows.

#### The Middle East

In Iraq, our joint venture company is firmly established as the country's leading contractor in hospital and public building cleaning. It continued to expand and was awarded the contract at the new Babylon terminal at the Saddam International Airport in Baghdad. This doubles our workforce on this contract to 200 operatives. The company was also awarded the contract at the new lavishly-equipped 400 bed Ramad eye hospital in Baghdad, and re-won the contract at the 400 bed Basrah teaching hospital, which commenced early in the New Year.

*1 Pritchard Janitorial Supplies' new head office near Heathrow. The company provides the most sophisticated on-line sales and distribution service in the industry using the IBM System/38 which cost over £½ million. (2, 3, 4)*

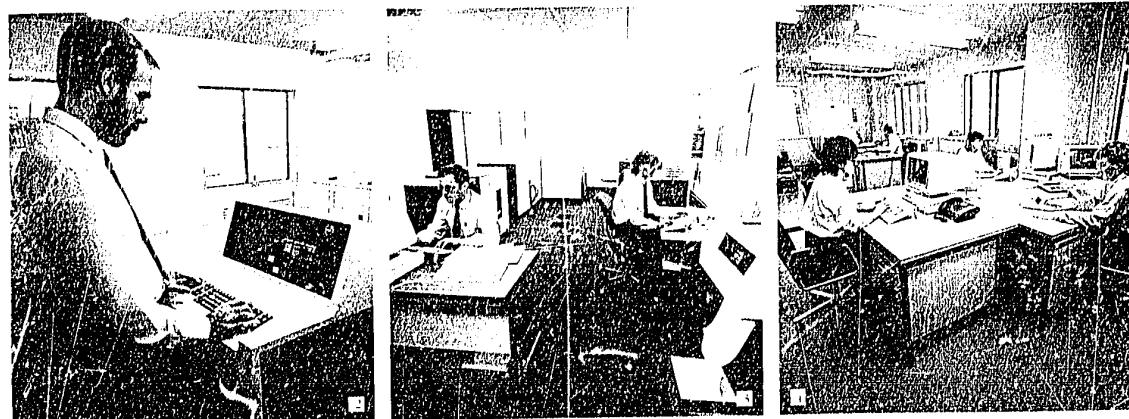
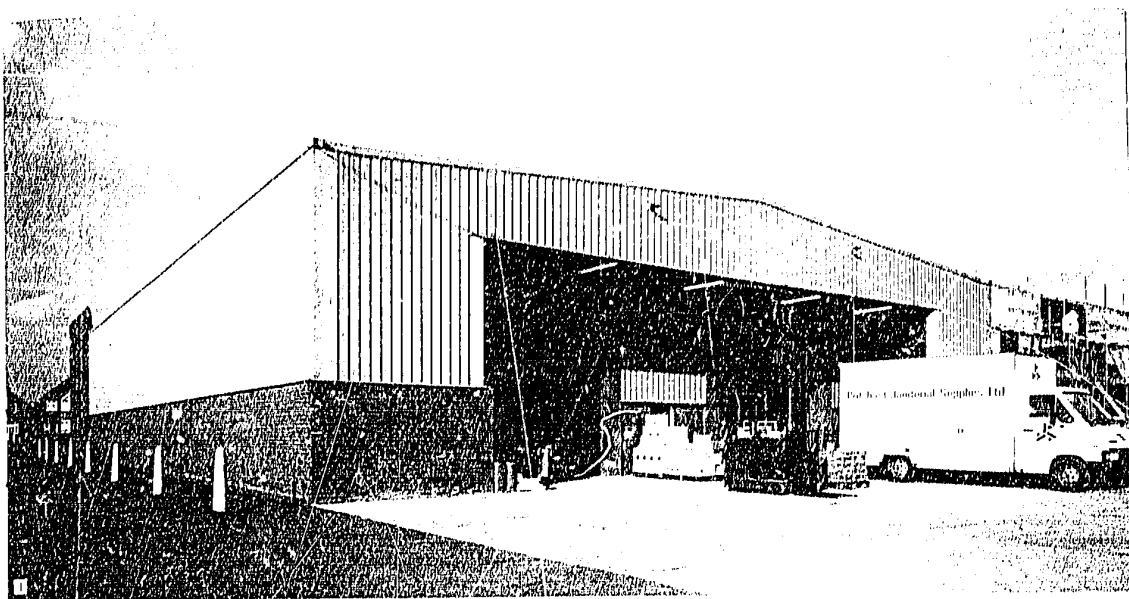
*5 Spring Grove's new £1.25 million laundry at Schiedam in Holland contains the most modern energy and water efficient equipment in Europe.*

# VATIONS

The history of Pritchard  
has concentrated in  
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company is firmly  
a leading contractor  
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contract in the New Year.



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## MANAGEMENT'S REVIEW OF OPERATIONS (CONTINUED)

### AUSTPALASIA AND THE FAR EAST



*Left to Right,  
Russell Kerr - Managing  
director New Zealand  
Lyn Taylor - Divisional  
Chief executive -  
Australasia and Far East  
John Campbell - Managing  
director Australia.*

In the face of increased business pressure in all areas of our activity, it is pleasing to report continuing ability to make substantial increases 'in turnover. All the companies have either held or increased their market share and these achievements were gained through the effort and dedication of our management team. In the past year, we have faced harsh operating cost increases beyond our control. In Australia, workers' compensation insurance costs rose by 30% in 1985, an increase which was neither expected nor budgeted. Other costs associated with employing labour in Australia continue to increase and are now in excess of 45% of the basic wage and salary cost.

In spite of the very competitive times we are emerging a stronger and healthier organisation and in 1985 positive plans were undertaken to ensure we retained our market leadership. By mid 1986, the New Zealand operations will be headquartered in Auckland, and this strategic re-location of our general managers will enable us to achieve an increased effectiveness in New Zealand's largest and still rapidly growing market.

#### *Building maintenance*

Turnover in Australia increased by 36% compared to the previous year. This increase includes the integration of the business acquired at the end of 1984 and two strategic acquisitions made during 1985 to reinforce Challenge Property Services as market leader. Development cost associated with new branches and more competitive market conditions prevented growth in profits. Major contracts gained during the year include the Pic 'N' Pay Hypermarket in Brisbane, which covers an area of over two acres, and Jupiters Casino on the Gold Coast in Queensland.

In New Zealand, Crothall Property Services performed with a creditable result and achieved further substantial market penetration. Energy and Security Management developed its range of services to include an advanced mechanical maintenance programme which it plans to market nationally. Good growth is expected from this company in line with a sound market demand for improved energy control.

In a further strategic move to develop new services for our customers in New Zealand a joint venture company was formed towards the end of 1985 with Group Property Services Limited of Australia. The New Zealand joint venture company, Programmed Maintenance Services Limited, will bring the latest technology and resources to give a new dimension to our range of services and has already met with considerable success in winning new contracts.

#### *Hospital and retirement support services*

Growth in Australia has been steady. Emphasis has been placed on providing a total package of ancillary services and has led to success in gaining full service contracts and consultancies. Growth in the private sector in South Australia has been particularly good and we gained our first contract in Tasmania.

In New Zealand, Crothall Hospital Services experienced a difficult year but successfully retained its market leader position, gaining major hospital contracts and successfully retained existing contracts which fell due for tender. Comprehensive Australasian Retirement Enterprises (CARE) is a new venture into the area of retirement village management. This new market is ideal for our package of services as it requires management and administration services, general property maintenance and cleaning services, grounds maintenance, laundry and food services as well as some medical care. Already some major complexes are under our management and the progress achieved in 1985 confirmed the potential for development in 1986. Also, expansion of these services into the resort and leisure industry opens future potential markets.

#### *Catering and vending*

Advanced Food Systems gained a number of hospital food service contracts in Australia and in New Zealand. Also Huntsbury Food Services Limited has withstood considerable market pressure in New Zealand and has managed to expand, particularly in the North Island, in the area of industrial and special function catering. Synergetic Systems Limited has quickly established itself as a New Zealand market leader

**1** *The Thunderbolt at Dreamworld near Australia's Gold Coast. Here maintenance of facilities is critical and is the responsibility of our New Zealand joint-venture partners.*

**2** *Securitas' vehicles show their new livery outside the ANZ Bank.*

**3** *Huntsbury Food displayed its culinary skills when it was commissioned by Woolworth to prepare a buffet based on foodstuffs Woolworth were importing from Australia. Mr. P O G Forbes (centre) Australian Senior Trade Commissioner accepts a delicacy from Huntsbury chef, Bob Pepper whilst operations manager David Glasgow (right) selects another.*

## VATIONS

with services to build and manage a new infrastructure. They have developed a range of mechanical and electrical contracting services.

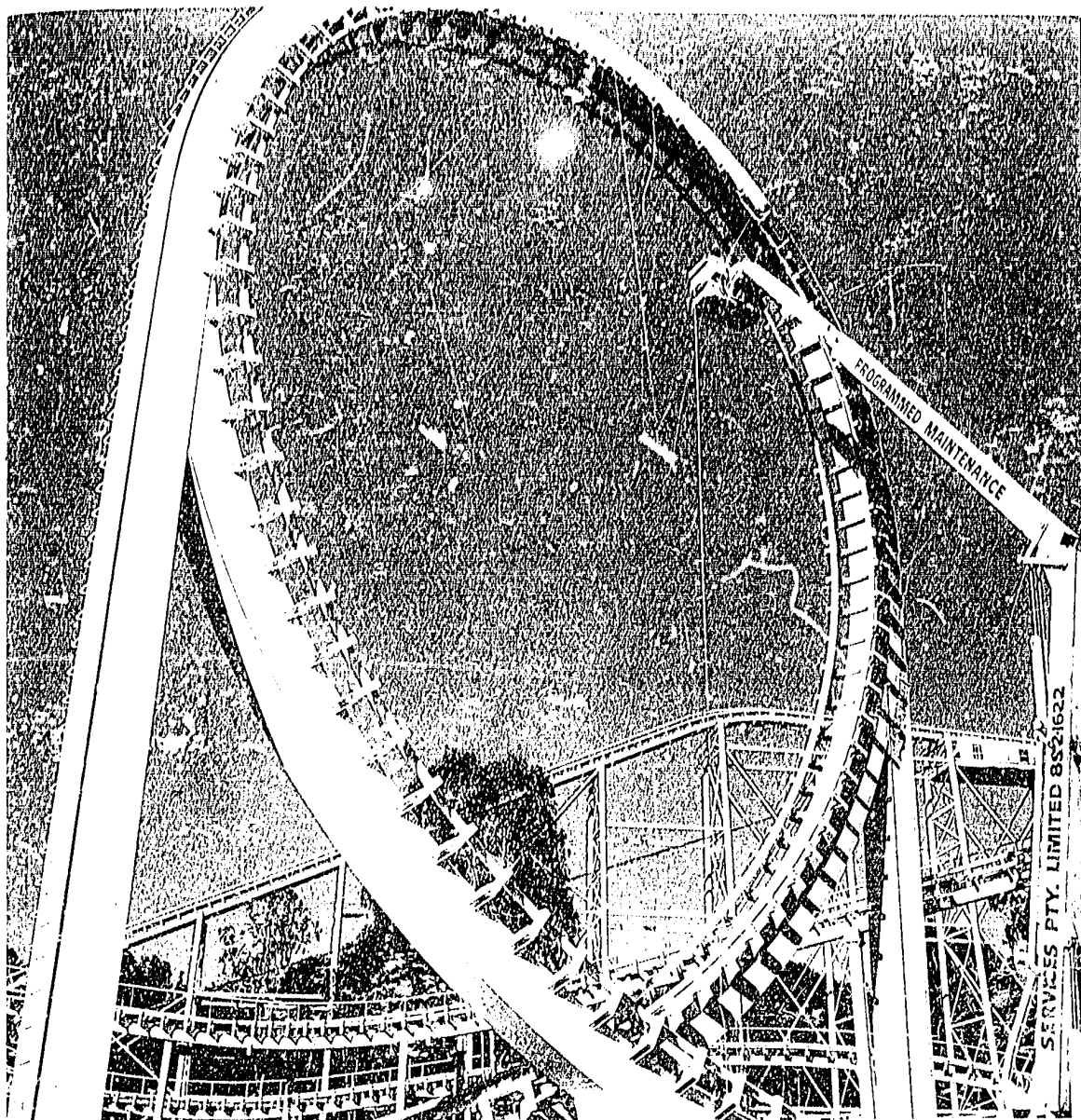
After a period of successful management, the company has decided to control

the development of new projects in New Zealand and abroad. Towards the end of 1986, Services Limited of New Zealand joined a joint venture to provide maintenance services, technical support and design services to our range of clients with a view to winning new contracts.

**Joint services**  
In 1987, the company has been steadily emphasizing a total package of services to success in the construction and consultancy sectors in South Australia and we gained our

hospital services, but successfully positioned, gaining a successful result which is due for a further year in Australia. Services Limited is a new venture in village management, our package of management and general property services, grounds, and out services as well as some major management and the confirmed the company in 1986. Also, the company has moved into the resort and potential markets.

and a number of projects in Australia and New Zealand. Food Services Limited has managed to establish a market in North Island, in the food function catering and has quickly become a market leader.



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## MANAGEMENT'S REVIEW OF OPERATIONS

(continued)

### AUSTRALANIA AND THE FAR EAST

with a new range of food packaging systems. The company continues to manufacture components locally which has enabled it to control price increases. These cost savings have been passed on to its customers.

#### *Security and communications services*

Securitas had another very successful year in New Zealand enabling the company to reach record turnover and profit levels. A major vehicle modernisation programme and substantial investment in the latest electronic surveillance methods together with a high emphasis on personnel training have been rewarded by increased market development and customer acceptance.

Record turnover was achieved by Seekers Communications. Product development and a launch of the improved "Major Call" pocket telepagers combined with wider national coverage of facilities by the New Zealand Post Office enabled further penetration into the market. A programme of upgrading some ageing equipment and facilities to provide an efficient, more comfortable, environment for customers and staff has commenced. To maintain its hard-

earned position of market leader in New Zealand, priority is placed on continued development of telephone answering and alarm monitoring services, telephone answering machines and secretarial functions.

An increased profit contribution was achieved by Cable On Line Computer Services with gains in both software sales and bureau service clients.

#### **The Far East**

Our associate company in Hong Kong, Reliance Services, secured its first ever contracts in the People's Republic of China. These contracts provide for the company to operate in joint ventures with the two local city governments of Shekou and Zhi Chang in the province of Kwangtung, for the provision of commercial cleaning services in the public buildings of these newly developed and rapidly expanding cities.

Our company in Thailand had a good year with excellent revenue and profit growth. The new branch in Chiangmai is performing satisfactorily and continues to expand. During 1986 other cities in Thailand will be researched with a view to expanding our operations into new areas.

**1** The MLC Tower is Australia's tallest commercial office building with 67 floors and has been cleaned by Challenge since it opened in 1978.

**2** At the Sydney Opera House Challenge operatives work round the clock seven days a week. The complex contains a Concert Hall seating 2,690; an Opera Theatre seating 1,547; a Drama Theatre seating 544; a Playhouse seating 400; a Recording Hall, Exhibition Hall, Reception Hall, Rehearsal Studios, two restaurants, six theatre bars, 60 dressing rooms and suites, extensive lounge areas and administrative offices.

**3** The Willandra Village Community Centre at Cromer in Sydney's northern suburbs contains 41 serviced apartments and by 1988 will have 83 serviced apartments and 200 self care units. CARE provides full management and domestic services here on a five year contract.

**4** The \$186 million Conrad International Hotel and Jupiters Casino on Queensland's Gold Coast is Australia's newest and largest hotel and convention complex and is one of Challenge's newest contracts.



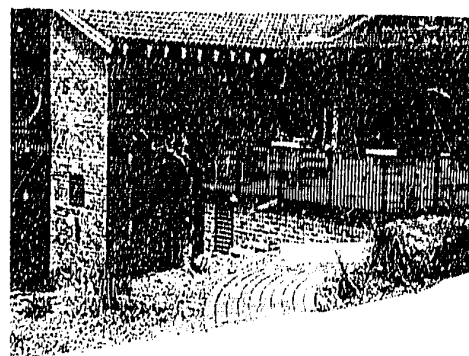
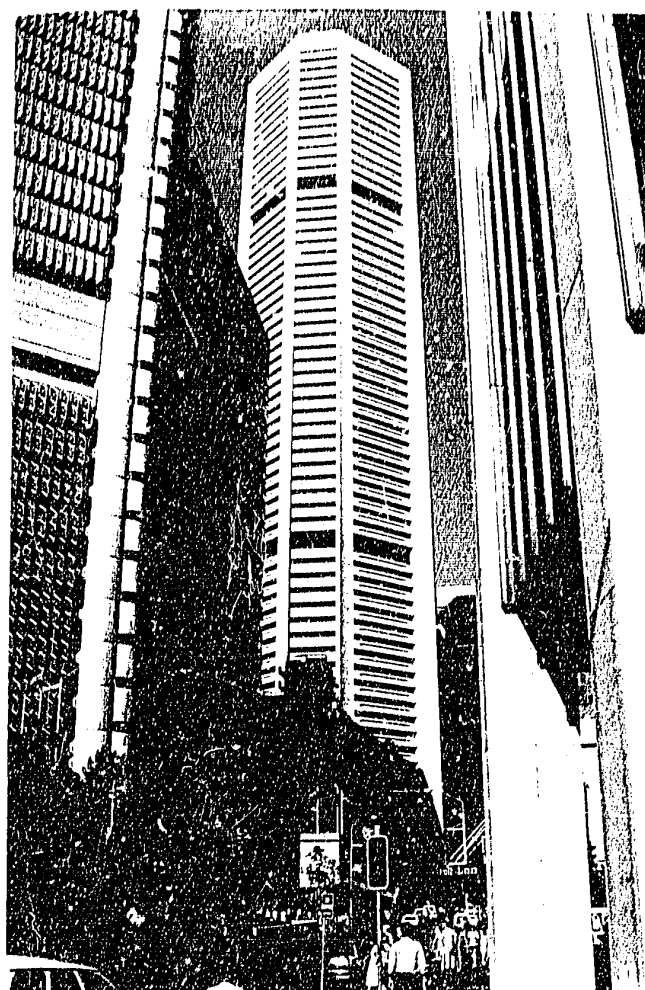
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## MANAGEMENT'S REVIEW OF OPERATIONS (CONTINUED)

### NORTH AMERICA



Left to Right,  
John Lepore - President,  
Food Concepts Inc.,  
Bevan Scott - President,  
Cr. thall American Inc.,  
Malcolm Elvey - Divisional  
chief executive - North  
America  
Larry Stuesser - President,  
Kimberly Services Inc.,  
Peter D Pritchard -  
President, Pritchard  
Services Inc.

1 The Equitable Center building is one of Manhattan's newest and largest high-rise buildings. Pritchard Services Inc. operatives carry out comprehensive cleaning maintenance, including interior and exterior window cleaning, throughout the three million sq. ft. complex. (2, 3, 4)

5 The cafeteria at the World headquarters of one of America's leading pharmaceutical companies where Food Concepts provides the 1,000 staff with high quality food dishes (6) for the executive dining, full line vending and cafeteria services.

1985 was not a good year. Performance in catering and vending and home health care was particularly bad. However, we are already beginning to reap the benefits of changes in policy being implemented by new senior management appointed in the second half of 1985. Turnover and operating profits for the first quarter of 1986 are on plan and represent an all-time high. In addition to having signed and started a host of new contracts in food services, building maintenance and hospital support systems, there are an unusual number of proposals submitted where expectations are high. Prestigious new accounts include Pan American, Equitable Life, Barclays Bank, YMCA and the US Air Force. The new division of CARE (Crothall American Retirement Enterprises) which provides the full range of services and management for retirement communities is off to an excellent start. Three contracts have been finalised, two in Texas and one in Ohio, which will commence operating in the second half of 1986 and will contribute over \$3 million to the division's sales in 1987. We anticipate great growth opportunities in this specialised market sector since few companies have the ability and experience to provide the full range of premium quality services necessary to compete with us.

#### Building maintenance

In 1985 turnover increased and profitability was maintained at satisfactory levels. During 1985 a strong operating management team was created by recruiting new people and radically changing the organisation structure. The Atlantic/Allstate and Fortris Maintenance acquisitions both performed well and helped strengthen our market share in the important North-Eastern market. These two entities have now been fully integrated into Pritchard Services Inc.

Consolidation of our Dallas administration into our New York, Manhattan based corporate offices will yield savings as a result of administrative efficiencies in the medium-term.

Significant growth was achieved in Manhattan where a number of large contracts were gained, including the newly completed Equitable Center and Barclays Bank's new corporate headquarters. Our South-Western operation, located principally in Texas, is recording excellent growth and healthy profits despite the depressed market-place previously so reliant upon an oil-based economy. Major inroads were made in our South-Eastern region where several new branches have been opened giving us a springboard into this vital and growing region. Once again, most of our major contracts have been renewed including Atlanta Airport where a three-year extension has been successfully negotiated. Building maintenance is poised for good growth and increased profits in 1986 with an energetic, enthusiastic and experienced management team.

#### Hospital, education and retirement support services

This was another record year for turnover and profits. The pressure on costs in the healthcare market resulting from the government's new method of reimbursing the hospitals by diagnostic related groups (DRGs) has meant lower hospital occupancy and much more pressure on price and margins. The strategic move of strengthening engineering capability two years ago by increased expenditure in research and development and support management, particularly in the computerised more scientific approach to preventative maintenance, has emphasised our distinctive competence in a highly competitive national market-place.

Our strategic direction reflects increasing penetration in the education markets and entry into the retirement market which has excellent growth potential. These markets are being approached with our traditional services of housekeeping, engineering, laundry and food service management, stressing the high quality of our service as well as our strong management capabilities in a multi-discipline environment. Expectations are for continuation of the strong growth in these areas of our business in North America.

#### Home health care

Turnover increased in 1985 primarily in staff relief and government funded home health programmes but a substantial trading loss was



## Flora

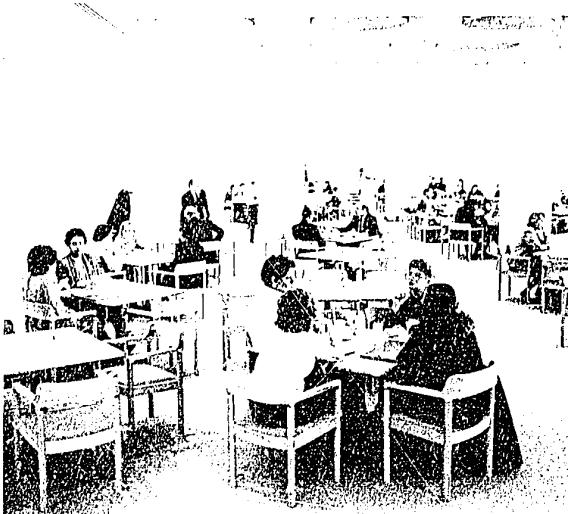
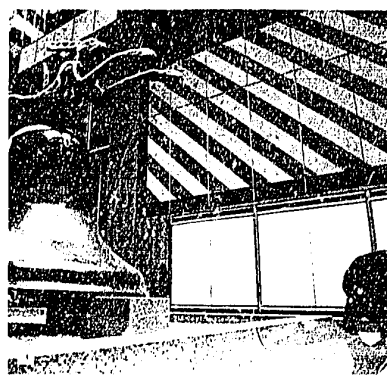
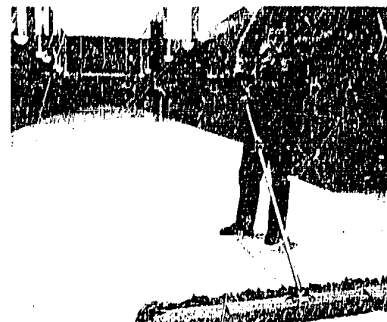
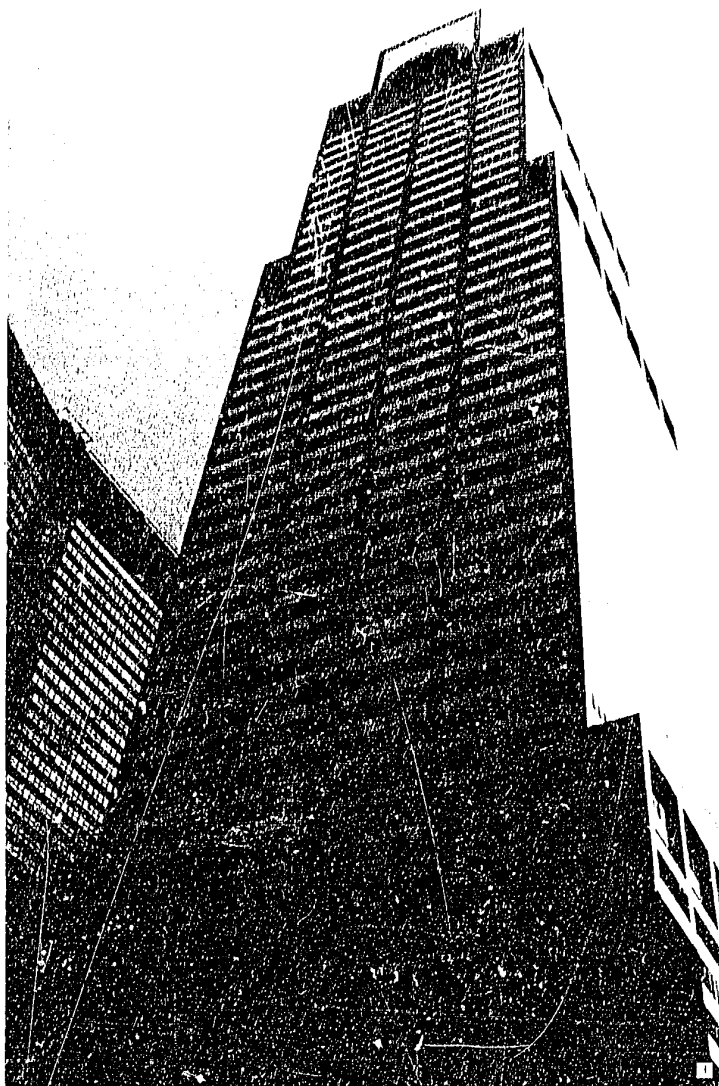
administration and the corporation. The result of the medium-term plan in Manhattan, profits were gained. The 11 spin-off new corporate term operation is recording profits despite the consistently so reliant. Major roads were taken where several had giving us a growing region. The contracts have been successfully. The airport where success is poised for profits in 1986 with experienced.

## Healthcare

turnover and in the healthcare segment's new spirals by 1986. This means much more. The strategic planning capability to provide in support. The computerized representative. Our distinctive, innovative national.

to increasing markets and entry. Each has excellent. The services of laundry and food. The high-quality long management. The environment. The strength of the strong business in North.

mainly in staff. The health. The loss was.



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## MANAGEMENT'S REVIEW OF OPERATIONS

(CONTINUED)

### NORTH AMERICA

incurred. This was due to information systems enhancements necessitated by greater turnover and complexities of the billing and collecting process. Significant marketing and training expenditures were made, the results of which are only now beginning to be felt. Surgical services turnover and profitability were maintained as no new facilities were added during 1985. The division was restructured and consolidated to handle further growth with strong emphasis on the provision of high technology services. With greater focus and attention being devoted to our core business of staff relief and home health care, we look forward to improved sales and profitability in 1986.

#### *Catering and vending*

1985 was not a good year for our food services division. Turnover was static and profits were sharply down. The contract food service and vending industry experienced significant change in 1985 as a result of three major mergers. The competitive impact was evident in the tri-state area covering the New York, New Jersey and Connecticut markets where we operate. However we were able to protect our strong market share and, for example, remain the area's largest customer in the Industrial category of suppliers like Coca Cola. Our customer profile has been much improved by discontinuation of unprofitable business, particularly in the vending division, and the termination during the year of a major loss-making contract.

Changes in top management were made halfway through the year with marketing emphasis placed on increasing our efforts in the areas of new products and services. Operations are being rationalised and consolidated at our Rutherford, New Jersey facility. This process should be

completed by the third quarter of 1986 when we will begin to reap further benefits. The cost base has already been substantially reduced and positive results are showing in the first quarter. The second phase of consolidation will bring even further efficiencies. The health care and catering services indicate good growth opportunities and we look forward to an outstanding year from this sector of our United States operations.

An example of a noteworthy contract obtained recently in New York covers the Harbour Festival and Centennial of the Statue of Liberty. To celebrate the occasion festivities will take place in New York on July 3rd, 4th, 5th and 6th. Over this period it is expected that between two and three million United States citizens and foreign visitors will participate in this Gala occasion which will be celebrated by street parades with music, singing and dancing. Entertainment will be provided by street entertainers and in theatres in special stage areas by representatives of all nationalities at what has been described as a "mini world-fair". In the harbour, fleets of tall ships and US naval vessels will be open to visitors.

Food and beverages will be sold from hundreds of booths and stalls and Food Concepts was awarded an exclusive catering contract by the Harbour Festival Authority to provide services in New York's Downtown area. This will involve the company supplying 80 of its own booths and providing all beverages and food products for the 500 plus other vendor's booths located throughout the area as well as catering at functions in numerous water-front buildings and in several large ships in the harbour. The company also has the option to provide similar services at the annual Harbour Festival over the next five years.

1, 2, 3, 4 Crolball American staff at work in the 534-bed Long Island Jewish Hospital where full housekeeping and window cleaning services are provided.

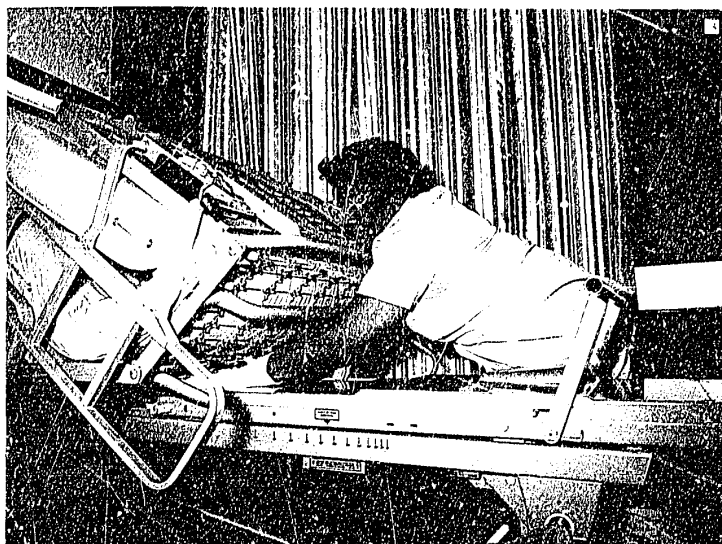
5, 6 Kimberly Services provides a wide range of home and health care services in thousands of homes across the USA.

# ATIONS

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# TEN YEAR RECORD

Financial year	1976 £000	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000
<b>Turnover</b>	<u>43,594</u>	<u>45,391</u>	<u>53,383</u>	<u>74,042</u>	<u>85,737</u>	<u>177,240</u>	<u>296,036</u>	<u>324,628</u>	<u>446,591</u>	<u>412,129</u>
<b>Operating profit</b>	<u>2,215</u>	<u>2,683</u>	<u>3,085</u>	<u>3,488</u>	<u>4,839</u>	<u>7,364</u>	<u>15,462</u>	<u>15,940</u>	<u>21,407</u>	<u>15,571</u>
Interest	(546)	(507)	(516)	(1,081)	(1,312)	(1,259)	(3,035)	(3,174)	(6,390)	(5,563)
<b>Profit before taxation</b>	<u>1,669</u>	<u>2,176</u>	<u>2,569</u>	<u>2,407</u>	<u>3,527</u>	<u>6,105</u>	<u>12,427</u>	<u>12,766</u>	<u>15,017</u>	<u>10,008</u>
Taxation	(885)	(772)	(906)	(779)	(1,456)	(2,154)	(3,854)	(3,191)	(3,470)	(2,127)
Minority interests	(11)	(90)	(74)	(56)	(71)	(392)	(536)	(608)	(429)	(374)
<b>Profit before extraordinary items</b>	<u>773</u>	<u>1,314</u>	<u>1,589</u>	<u>1,572</u>	<u>2,000</u>	<u>3,559</u>	<u>8,037</u>	<u>8,967</u>	<u>11,118</u>	<u>7,507</u>
Extraordinary items	(37)	(31)	(50)				(142)	(636)	(6,119)	(11,154)
<b>Profit/(loss) attributable to shareholders</b>	<u>736</u>	<u>1,283</u>	<u>1,539</u>	<u>1,572</u>	<u>2,000</u>	<u>3,559</u>	<u>7,895</u>	<u>8,331</u>	<u>4,999</u>	<u>(3,647)</u>
Dividends	(291)	(316)	(359)	(483)	(963)	(1,867)	(3,635)	(3,656)	(4,343)	(2,950)
<b>Retained profit/(loss)</b>	<u>445</u>	<u>967</u>	<u>1,180</u>	<u>1,089</u>	<u>1,037</u>	<u>1,692</u>	<u>4,260</u>	<u>4,675</u>	<u>656</u>	<u>(6,597)</u>
<b>Assets employed</b>										
Intangible fixed assets	6,974	6,990	7,944	7,643	9,854	29,098	40,488	66,128	94,087	65,317
Tangible fixed assets	4,996	7,020	8,645	9,709	11,594	18,089	34,071	39,477	50,609	43,994
Investments	309	616	1,011	697	888	1,803	12,377	14,569	15,373	2,883
Other assets	608	(2,518)	85	1,578	2,611	2,792	4,033	6,922	9,397	3,181
	<u>12,887</u>	<u>12,108</u>	<u>17,685</u>	<u>19,627</u>	<u>24,947</u>	<u>51,782</u>	<u>90,969</u>	<u>127,096</u>	<u>169,466</u>	<u>115,375</u>
<b>Financed by</b>										
Shareholders' funds	8,708	10,113	11,780	12,855	20,847	38,962	65,825	99,192	106,570	58,918
Minority interests	292	379	353	343	1,146	1,197	2,431	2,721	2,883	2,373
Net debt	3,887	1,616	5,552	6,429	2,954	11,623	22,713	25,183	60,013	54,084
	<u>12,887</u>	<u>12,108</u>	<u>17,685</u>	<u>19,627</u>	<u>24,947</u>	<u>51,782</u>	<u>90,969</u>	<u>127,096</u>	<u>169,466</u>	<u>115,375</u>
<b>Earnings per share (pence) (note 1)</b>	1.70	2.89	3.49	3.46	4.31	5.71	8.48	9.02	9.75	6.53
<b>Dividends per share (pence) (note 2)</b>	0.67	0.74	0.84	1.13	1.75	2.50	3.00	3.50	3.80	2.55

## Notes:

- Earnings per share have been adjusted for the capitalisation issue in 1982 and the rights issue in 1983.
- Dividends per share are shown net of the related tax credit after adjustment for the capitalisation issue in 1982.

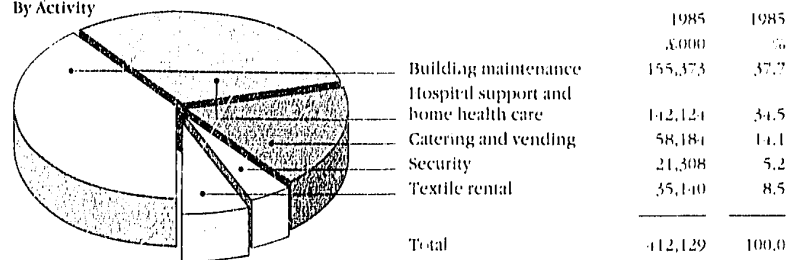
## ANALYSIS OF TURNOVER AND OPERATING PROFIT

	1984	1985
	£000	£000
28	446,591	412,129
40	21,407	15,571
74	(6,390)	(5,563)
66	15,017	10,008
91	(3,470)	(2,127)
08	(429)	(374)
67	11,118	7,507
36	(6,119)	(11,154)
31	4,999	(3,647)
56	(4,343)	(2,950)
75	656	(6,597)
28	94,087	65,317
77	50,609	43,994
69	15,373	2,883
22	9,397	3,181
96	169,466	115,375
92	106,570	58,918
21	2,883	2,373
33	60,013	54,084
96	169,466	115,375
02	9.75	6.53
50	3.80	2.55

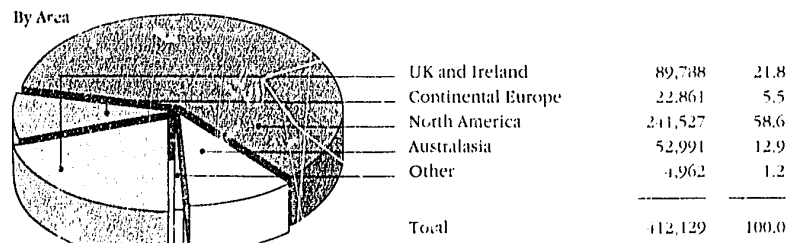
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### TURNOVER

#### By Activity

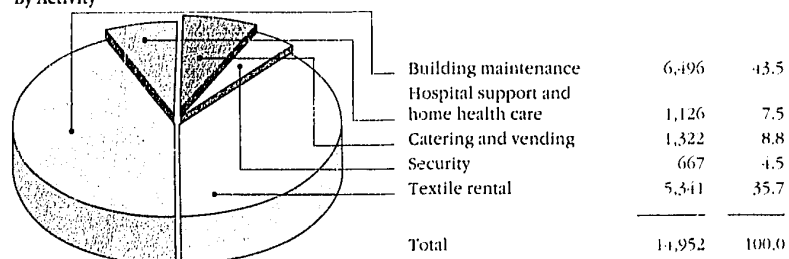


#### By Area

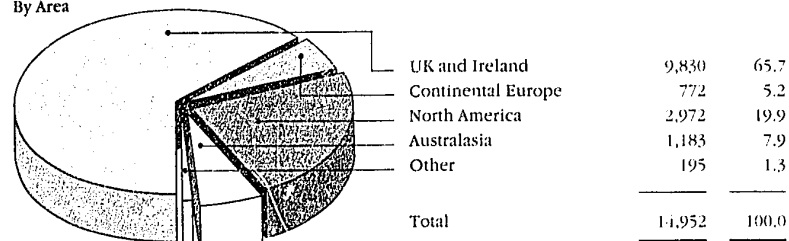


### OPERATING PROFIT From Subsidiaries

#### By Activity



#### By Area



## REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the seventy-seventh Report to the Members, together with the audited accounts for the financial year ended 29th December 1985.

### Results and dividends

The Group profit before tax for the year was £10,008,000 compared with £15,017,000 for 1984. After taxation and minority interests, the profit before extraordinary items amounted to £7,507,000, equivalent to 6.53p per share compared with £11,118,000 and 9.75p per share for 1984.

Turnover for the year was £412,129,000 compared with £446,591,000 for 1984. Excluding the effects of exchange, turnover showed a real growth of 10%.

The Directors propose a final dividend of 1.45p per share which, together with the interim dividend of 1.1p per share, gives a total net dividend of 2.55p per share amounting to £2,950,000. After extraordinary items and dividends, the loss for the financial year amounted to £6,597,000 compared with a profit of £656,000 in 1984.

### Review of the business

An analysis of turnover and profits, distinguishing between principal activities and geographical areas is shown at note 1 to the Accounts on page 28 and is summarised on page 21. A list of the principal subsidiaries and associates, together with their main activities, is shown on pages 41 to 44.

A review of operations and prospects of the Group are given in the Chairman's Statement and Management's Review of Operations on pages 4 to 19.

### Acquisitions and disposals

During the year, the Group acquired the following businesses:—

#### United Kingdom:

Building maintenance:  
Henderson Hygiene Products

#### United States of America:

Building maintenance:  
Interclean  
Arcade  
Catering and Vending:  
Aristocrat Vending  
Home healthcare:  
Gold Coast South Home Health Services Inc.

#### Australia:

Building maintenance:  
Howard Services  
Sterling Cleaning Services

The following companies were disposed of:—

#### Europe:

Groupe Services Industrie S.A. (France)  
Services Industrie S.A. (Belgium)

#### Australia:

Huntsbury Food Services Pty. Ltd.

### Banking arrangements

The Company has discussed its financial position with its bankers who support the Group in its recovery plans and have agreed to continue their facilities on a secured basis, which is reflected in the accounts, an agreement to that effect having been signed on 2nd May 1986.

### Fixed Assets

A summary of the movements during the year in respect of tangible fixed assets is shown at note 14 to the Accounts on page 33.

### Goodwill

The Group's policy of carrying goodwill unamortised, unless there has been a permanent diminution in its value, has not been changed in respect of contractual businesses. Contractual businesses are those businesses where contractual arrangements with customers assure a regular revenue for varying periods and offer the potential for renewal. In practice, there tends to be a regular pattern of contract renewals which further extends the revenue expectations. The Directors consider that the amortisation or write-off of goodwill relating to such contractual businesses would not fairly reflect the value of this asset to the Group.

Whilst SS. P 22 is not mandatory for the Group until 1986, the Directors have considered its provisions in relation to non-contractual goodwill and have decided to write off such goodwill, being that related principally to transactional businesses, directly to reserves. Accordingly, £16,481,000 of goodwill in respect of subsidiaries and £8,047,000 of goodwill in respect of associates has been written off in the Accounts for the year.

### Directors and their interests

The names of the Directors of the Company and their interests in the shares of the Company are shown at note 4 to the Accounts on page 29.

F J Fox resigned as a Director on 19th April 1985.  
C Roberts resigned as a Director on 27th January 1986.

A R Philipson was appointed Director on 10th October 1985. He held no shares in the Company at that date.

## REPORT OF THE DIRECTORS (CONTINUED)

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(Belgium)

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Accounts on page 29.

Director on 19th April 1985.  
a Director on 27th January

ointed Director on 10th  
d no shares in the Company

The Director retiring by rotation is N F Baldock, who, being eligible, offers himself for re-election, as also does A R Philipson, having been appointed on 10th October 1985. N F Baldock does not have a service contract with the Company. A R Philipson has a service contract with the Company which is terminable at two years notice.

### Substantial shareholdings

As at 6th May 1986 the Company had received no notification that any person held or was interested in more than 5 per cent of the share capital of the Company.

### Employment policies

Within the context of worldwide operations, the employment policies of the Group's member companies vary with local circumstances and the particular sector in which each company operates. It is Group policy to encourage equal employment opportunities for men and women and to ensure that adequate and suitable consideration is given to the requirements of racial groups in any particular area. In accordance with a request from the Government a report on employment in South Africa has been submitted in line with the EEC Code of Conduct.

The Group gives sympathetic consideration to the employment of disabled people. No special facilities are provided for training the disabled but all employees are given equal opportunities for working, training and promotion having regard to their particular aptitudes and abilities.

Encouragement is given to local managements to seek constantly to improve communications with their employees at all levels wherever this is practicable. The principal means of communication on a Group basis are internal Bulletins which are sent from the Chairman to all subsidiaries and the house journal "Pritchard News". In addition, there exists a wide variety of informal arrangements for employee consultation at individual units.

### Corporate donations

During the year the Group made charitable contributions in the UK totalling £27,271 and a donation of £13,000 was made to the Conservative and Unionist Party.

### Corporation tax status

The Directors are of the opinion that the Company is not a close company as defined in the Income and Corporation Taxes Act 1970.

### Auditors

The Company's auditors, Messrs. Longcroft, have expressed their willingness to continue in office and a resolution for their reappointment, authorising the Directors to fix their remuneration, will be submitted at the Annual General Meeting.

### Authority to allot shares

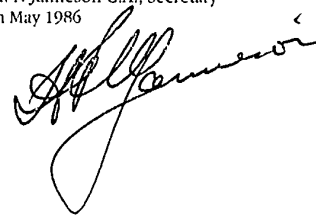
The Directors invite shareholders to renew their authority to allot for a period of five years to expire on 7th July 1991. Section 89 of the Companies Act 1985 generally requires all allotments for cash to be offered, in the first instance, to current shareholders *pro rata* to their existing holdings. However, Section 95 of that Act permits the shareholders in general meeting to disapply Section 89 and, in order to retain some flexibility, the Directors seek such authority in respect of 6,800,000 shares (which is equal to 5 per cent of the total authorised share capital) for the period until the conclusion of the next Annual General Meeting.

The Directors have no present intention of allotting any of the unissued capital and, save as disclosed above, no allotment will be made which would effectively alter the voting control of the Company without the prior approval of shareholders.

A Special Resolution covering these matters appears as Item 5 on the notice convening the Annual General Meeting.

By Order of the Board.

H R N Jamieson C.A., Secretary  
6th May 1986



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 29TH DECEMBER 1985

Notes	1985 £000	1984 £000
1 <b>Turnover</b>	412,129	446,591
Cost of sales	327,283	351,448
Gross profit	84,846	92,143
2 Distribution, marketing and administrative expenses	69,894	73,294
Share of profits of associated companies	14,952	18,849
	619	2,558
3 <b>Operating profit</b>	15,571	21,407
7 Interest	5,563	6,390
1 <b>Profit on ordinary activities before taxation</b>	10,008	15,617
8 Taxation on profit on ordinary activities	2,127	3,470
<b>Profit on ordinary activities after taxation</b>	7,881	11,547
Minority interests	374	429
<b>Profit before extraordinary items</b>	7,507	11,118
9 Extraordinary items	11,151	6,115
10 <b>(Loss)/profit attributable to shareholders</b>	(3,647)	4,999
11 Dividends	2,950	4,343
<b>(Loss)/profit retained for the financial year</b>	(6,597)	656
12 Earnings per share	6.53p	9.75p



# ACCOUNT FOR 1985

1985	1984
£000	£000
29	446,591
34	354,448
46	92,143
94	73,294
52	18,849
19	2,558
71	21,417
63	6,390
08	15,017
27	3,470
81	11,547
74	429
07	11,118
54	6,119
17	4,999
50	4,343
97	656

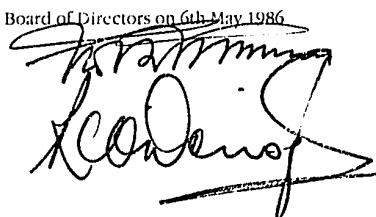
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# BALANCE SHEETS AT 29TH DECEMBER 1985

Notes	Group		Company	
	1985 £000	1984 £000	1985 £000	1984 £000
	<b>Fixed assets</b>			
13	Intangible assets	65,317	94,087	
14	Tangible assets	45,994	50,609	340 265
17	Investments	2,883	15,373	4,083 17,494
		112,194	160,069	4,423 17,759
	<b>Current assets</b>			
18	Stocks	8,953	7,876	20 20
19	Debtors	51,481	60,051	84,965 86,645
	Short term deposits	2,654	3,952	500
	Cash at bank and in hand	3,073	2,284	75 c
		66,161	74,163	85,060 87,173
20	<b>Creditors: amounts falling due within one year</b>	75,932	68,210	30,051 34,237
	<b>Net current (liabilities)/assets</b>	(9,771)	5,955	55,009 52,936
	<b>Total assets less current liabilities</b>	102,423	166,022	59,432 70,695
21	<b>Creditors: amounts falling due after more than one year</b>	38,977	54,058	1,220
	<b>Provisions for liabilities and charges</b>			
23	Deferred taxation	2,155	2,511	8 6
		61,291	109,453	58,204 70,689
	<b>Capital and reserves</b>			
24	Called up share capital	29,185	28,835	29,185 28,835
25	Share premium account	25,861	25,259	25,861 25,259
25	Revaluation reserve	1,603	3,676	
25	Other reserves	338	8,675	
25	Profit and loss account	1,941	40,125	3,158 16,595
	<b>Shareholders' funds</b>	58,918	106,570	58,204 70,689
	Minority interests	2,373	2,883	
		61,291	109,453	58,204 70,689

These accounts were approved by the Board of Directors on 6th May 1986

P R Pritchard  
R C O'Donoghue } Directors



**STATEMENT OF SOURCE AND  
APPLICATION OF FUNDS**  
FOR THE YEAR ENDED 29TH DECEMBER 1985

	1985 £,000	1984 £,000
<b>Source of funds</b>		
Profit before taxation	10,008	15,017
Extraordinary items involving the movement of funds	(605)	(635)
Items not involving the movement of funds:		
Depreciation	13,449	13,148
Revaluation reserve release (net of provisions)	(1,416)	
Profits retained in associates	(473)	(1,621)
<b>Total generated from operations</b>	<u>20,963</u>	<u>25,909</u>
<b>Funds from other sources</b>		
Proceeds from share issues net of expenses	952	129
Disposal of subsidiary companies	1,175	1,850
Remittances from associates	1,743	
	<u>24,833</u>	<u>27,888</u>
<b>Application of funds</b>		
Purchase of fixed assets net of disposals	13,223	13,394
Investments in subsidiaries*	2,629	22,186
Investments in associates		2,142
Taxation paid	5,598	4,560
Dividends paid, including minority shareholders	4,549	4,284
Purchase of minority interests		31
Advances to associates	2,922	
	<u>28,921</u>	<u>46,597</u>
	<u>(4,088)</u>	<u>(18,709)</u>
<b>(Increase)/decrease in working capital</b>		
Increase in stocks	(368)	(11)
Increase in debtors	(3,487)	(7,853)
Increase in creditors	3,046	2,142
	<u>(809)</u>	<u>(5,722)</u>
<b>Net application of funds</b>	<u>(4,897)</u>	<u>(24,431)</u>
<b>Movements in net debt (gross borrowings less cash and deposits)</b>		
Net debt at 30th December 1984	60,013	25,183
Exchange adjustments	(10,635)	7,916
Subsidiaries (disposed of)/acquired	(191)	2,483
Net application of funds	4,897	24,431
Net debt at 29th December 1985	<u>54,084</u>	<u>60,013</u>
<b>*Net assets acquired:</b>		
Intangible fixed assets	7,297	19,313
Tangible fixed assets	428	9,051
Other (liabilities)	(5,096)	(6,178)
	<u>2,629</u>	<u>22,186</u>

## ACCOUNTING POLICIES

085	1984
000	£000
008	15,017
(605)	(635)
449	13,148
(116)	
(173)	(1,621)
963	25,909
952	129
175	1,850
743	
833	27,888
223	13,394
629	22,186
	2,142
598	4,560
549	4,284
	31
922	
921	46,597
(,088)	(18,709)
(368)	(11)
(487)	(7,853)
(,046)	2,142
(809)	(5,722)
(,897)	(24,431)
0,013	25,183
(,635)	7,916
(191)	2,483
,897	24,431
,084	60,013
7,297	19,513
428	9,051
(6,096)	(6,178)
2,629	22,186

### Basis of accounting

These accounts are prepared under the historical cost convention adjusted by the revaluation of certain properties.

### Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries all of which are made up to 31st December or the nearest Sunday thereto; the accounts for the 1985 financial year being made up for the fifty-two weeks to 29th December 1985 (1984: fifty-two weeks to 30th December 1984).

No profit and loss account is presented for the Company as permitted by s.228(7) of the Companies Act 1985.

The results of subsidiaries acquired or disposed of are included in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal respectively.

Companies in which the Group has an investment comprising an interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated companies. Such companies are also related companies as defined in the Companies Act 1985. The consolidated accounts include the Group's share of these companies' post-acquisition results and retained reserves.

### Goodwill

Goodwill represents the net excess of purchase consideration of subsidiaries and businesses acquired over the fair values of the net tangible assets acquired.

Goodwill relating to contract-based businesses is carried forward unamortised unless the Directors consider that there has been a permanent diminution in value. Other goodwill, principally that relating to transaction based businesses, is written off directly to reserves.

### Development expenditure

Development expenditure incurred in setting up new branch operations and new businesses is written off to profit before tax in the year in which it is incurred.

### Exchange rates

The accounts of overseas subsidiary and associated companies and foreign currency assets and liabilities of UK companies are

translated into sterling at the rates of exchange ruling at the balance sheet date. Unrealised exchange differences arising in the Group's consolidated accounts from the retranslation of the opening net investments in subsidiaries and associated companies at the closing rates of exchange are recorded as movements on the Group's consolidated reserves. Exchange differences arising on the translation or repayment of foreign currency loans including intra-Group loans which match such net investments are also recorded as movements on the Group's consolidated reserves.

All other exchange differences are dealt with through the profit and loss account.

### Turnover

Turnover represents the invoiced value of services provided to external customers of the Group excluding value added tax and other sales taxes.

### Stocks

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

### Deferred taxation

Provision is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

Provision is made at the rate of corporation tax anticipated to be in force in the year in which the timing difference is expected to reverse. No provision is made where there is reasonable probability that no such liability will arise in the foreseeable future.

### Depreciation

Depreciation is provided on the straight line basis at rates calculated to write off the cost or valuation of fixed tangible assets over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates of depreciation are as follows:

	%
Freehold buildings and long leasehold properties	1-2
Plant, machinery and equipment	10-25
Furniture, fixtures and fittings	10
Motor vehicles	20-33
Equipment for hire	10-40

Short leasehold properties are amortised over the unexpired term of the lease.

# NOTES TO THE ACCOUNTS

## 1 Turnover and profit before taxation

The analyses of turnover and profit on ordinary activities before taxation are as follows:

	Turnover		Profit	
	1985 £,000	1984 £,000	1985 £,000	1984 £,000
Activity:				
Building maintenance	155,373	155,851	6,496	7,840
Hospital support and home health care	142,124	161,296	1,126	3,220
Catering and vending	58,181	73,800	1,322	2,818
Security	21,308	23,187	667	761
Textile rental	35,140	32,157	5,341	4,210
	<u>412,129</u>	<u>446,591</u>	<u>14,952</u>	<u>18,849</u>
Share of profits of associated companies			619	2,558
Interest			5,563	6,390
Profit on ordinary activities before taxation			<u>10,008</u>	<u>15,017</u>
Geographical area:				
UK and Ireland	89,788	83,555	9,830	7,795
Continental Europe	22,861	20,493	772	407
United States of America	221,050	249,347	3,165	7,890
Canada	20,477	27,629	(124)	458
Australasia	52,991	59,038	1,183	1,988
Other areas	4,962	6,529	195	311
	<u>412,129</u>	<u>446,591</u>	<u>14,952</u>	<u>18,849</u>

## 2 Distribution, marketing and administrative expenses

	1985 £,000	1984 £,000
Distribution costs	7,214	7,159
Marketing and administrative expenses	62,680	66,135
	<u>69,894</u>	<u>73,294</u>

# NOTES TO THE ACCOUNTS

CONTINUED

## 3 Operating profit

Operating profit is stated after charging:

1985 1984  
£,000 £,000

Auditors' remuneration, of which £35,000 relates to the Company (1984: £31,000)

671 676

Depreciation

13,449 13,148

Finance lease rentals

1,589 1,548

Operating lease rentals:

Hire of plant and machinery

1,322 1,125

Other

3,384 3,541

Directors' emoluments:

Fees

23 24

Other emoluments

366 427

and after crediting:

Profit on disposal of properties

1,719

Income from other investments - listed

1 2

## 4 Directors and their interests

The Directors of the Company at 29th December 1985 and their interests in shares of the Company were as follows:

	Ordinary Shares of 25p each				Special Non-Voting Ordinary Shares of 25p each	
	Beneficial		Options to subscribe		Options to purchase	
	29.12.85	30.12.84	29.12.85	30.12.84	29.12.85	30.12.84
R J Pritchard	25,437	127,187				
P R Pritchard	3,606,037	3,606,037	338,960	117,000	210,526	210,526
N F Baldock	8,592	8,592				
D Dudley Morgan	2,187	2,187				
R C O'Donoghue	500	500	219,672		100,000	100,000
A R Philipson	1,000		219,672		100,000	
C Roberts	9,375	9,375			105,263	210,526

At 29th December 1985, in addition to their beneficial holdings R J Pritchard had a non-beneficial interest in 101,756 Ordinary shares and P R Pritchard had a non-beneficial interest in 907,888 Ordinary shares. On 21st January 1986 C Roberts exercised an option to purchase 52,631 Special Non-Voting Ordinary Shares of 25p each and on 27th January 1986 his option to purchase a further 52,632 such shares lapsed. The Company has not received any other notification of variation to the above figures during the period from 29th December 1985 to 6th May 1986.

## 5 Directors' emoluments

The emoluments, excluding pension contributions, of the Directors of the Company, whose duties were wholly or mainly discharged in the United Kingdom were:

1985 1984  
£,000 £,000

Chairman and highest paid Director

93 63

Other Directors:

Number Number

Range of emoluments:

£ 5,001 - £10,000

2 2

£10,001 - £15,000

2 1

£60,001 - £65,000

1 1

£70,001 - £75,000

# NOTES TO THE ACCOUNTS

## CONTINUED

### 6 Employees

	1985 Number	1984 Number
Average number of employees:		
Building maintenance	31,183	30,599
Hospital support and home health care	12,535	12,136
Catering and vending	2,737	2,640
Security	5,030	4,569
Textile rental	1,653	1,703
Group administration	31	27
	<u>56,169</u>	<u>51,674</u>

	1985 £,000	1984 £,000
Staff costs:		
Wages and salaries	222,860	237,750
Social security costs	24,947	27,549
Other pension costs	1,853	1,393
	<u>249,660</u>	<u>266,692</u>

#### Pensions:

The Group operates pension schemes in the UK under which contributions paid by employees and employers are invested in trustee administered funds. Contributions are based upon actuarial advice following triennial valuation of these funds and are sufficient to provide for the benefits as they become payable.

Overseas subsidiaries enter into pension arrangements for their employees in accordance with local practice or legislation.

#### Senior employees:

The number of senior employees of the Company whose emoluments, excluding pension contributions, exceeded £30,000 per annum were as follows:—

	1985 Number	1984 Number
£30,001 - £35,000	2	
£35,001 - £40,000	2	2
£40,001 - £45,000	1	
£50,001 - £55,000	1	

### 7 Interest

	1985 £,000	1984 £,000
Interest payable:		
On bank loans and overdrafts, and other loans wholly repayable within 5 years	6,182	6,342
On loans not wholly repayable within 5 years	110	959
	<u>6,292</u>	<u>7,301</u>
Interest receivable:		
On short term deposits	729	911
	<u>5,563</u>	<u>6,390</u>

### 8 Taxation on ordinary activities

### 9 Extraordinary items

# NOTES TO THE ACCOUNTS

CONTINUED

TS

1985 Number	1984 Number
34,183	30,599
12,535	12,136
2,737	2,640
5,030	4,569
1,653	1,703
31	27
<u>56,169</u>	<u>51,674</u>

1985 £,000	1984 £,000
222,860	237,750
24,947	27,549
1,853	1,393
<u>249,660</u>	<u>266,692</u>

ns paid by employees  
are based upon actuarial  
provide for the benefits as

s in accordance with

cluding pension

1985 Number	1984 Number
2	
2	2
1	
1	

1985 £,000	1984 £,000
6,182	6,342
110	959
<u>6,292</u>	<u>7,301</u>
729	911
<u>5,563</u>	<u>6,390</u>

## 8 Taxation on profit on ordinary activities

The taxation charge, which is based on profits for the year, is made up as follows:

	1985 £,000	1984 £,000
United Kingdom:		
Corporation tax at 41.25% (1984: 46.25%)	3,198	2,101
Deferred taxation	(1,099)	(990)
Overseas taxation	1,482	1,672
Taxation (over)/under provided in previous years	(1,786)	56
Share of associated companies' taxation	332	631
	<u>2,127</u>	<u>3,470</u>

The taxation charge for the year has been reduced by £407,000 (1984: £2,424,000) in respect of the following items:

	1985 £,000	1984 £,000
Accelerated capital allowances	(10)	13
Long term timing differences	(2)	1,923
Stock relief		7
Losses brought forward	419	481
	<u>407</u>	<u>2,424</u>

The Group has approximately £19.0 million (1984: £14.5 million) of unutilised tax losses which are available for offset against future profits.

## 9 Extraordinary items

	1985 £,000	1984 £,000
Extraordinary income:		
Net profit on disposal of subsidiaries	157	
Extraordinary charges:		
Provision against investment in Saudi Arabia	3,005	
Provision against investment in ICC Oil Services plc	4,334	
Reorganisation and closure costs	2,139	277
Losses on disposal of St. George's Group and related properties		223
Provision for diminution of goodwill		714
	<u>9,321</u>	<u>1,214</u>
Extraordinary loss before taxation	(54)	(82)
Taxation relief	28	
Minority interest		
	<u>9,295</u>	<u>1,132</u>
Adjustment to deferred taxation account arising from the change in basis of UK corporation tax	1,859	4,987
	<u>11,154</u>	<u>6,119</u>

# NOTES TO THE ACCOUNTS

## CONTINUED

### 10 (Loss)/profit attributable to shareholders

	1985 £,000	1984 £,000
Dealt with by the Company		
Retained by subsidiary companies	(10,159)	2,044
Retained by associated companies	6,772	1,965
	(260)	990
	<u>(3,647)</u>	<u>4,999</u>

### 11 Dividends

	1985 Pence per share	1984 Pence per share	1985 £,000	1984 £,000
Interim paid (11th November 1985)	1.1p	1.1p	1,273	1,261
Final proposed (payable 11th August 1986)	1.45p	2.7p	1,677	3,082
	<u>2.55p</u>	<u>3.8p</u>	<u>2,950</u>	<u>4,343</u>

### 12 Earnings per share

The calculation of earnings per Ordinary share is based on the profit before extraordinary items of £7,507,000 (1984: £11,118,000) and on 114,923,988 Ordinary shares, being the weighted average number of Ordinary shares in issue during the year (1984: 113,998,313). The exercise of remaining options under the 1980 and 1982 Share Option Schemes would not result in any material dilution of earnings per Ordinary share.

### 13 Intangible fixed assets

Group:	Goodwill £,000
Cost:	
At 31st December 1984	
Exchange adjustments	94,087
Additions	(18,966)
Disposals	7,297
Written off against reserves	(620)
	<u>(16,481)</u>
At 29th December 1985	<u>65,317</u>

### 14 Tangible fixed assets



# NOTES TO THE ACCOUNTS CONTINUED

## 14 Tangible fixed assets

1985 £000	1984 £000
(10,159)	2,044
6,772	1,965
(260)	990
(3,647)	4,999

1985 £000	1984 £000
1,273	1,261
1,677	3,082
2,950	4,343

extraordinary items of  
the weighted average  
the exercise of remaining  
any material dilution

Goodwill  
£000

94,000
(18,966)
7,297
(620)
(16,481)
65,317

	Freehold land and buildings £000	Long leasehold property £000	Short leasehold property £000	Plant vehicles and equip- ment £000	Equip- ment for hire £000	Total £000
Group:						
Cost or valuation:						
At 31st December 1984	11,920	1,533	2,104	44,363	22,000	81,920
Exchange adjustments	(627)	(6)	(359)	(4,716)	6	(5,702)
Additions	575	15	348	6,907	9,247	17,092
Subsidiaries acquired	10		25	393		428
Disposals	(2,818)		(50)	(5,183)	(4,868)	(12,919)
Transfers to stocks	(2,161)	(137)				(2,598)
At 29th December 1985	6,899	1,105	2,068	41,764	26,385	78,221
Depreciation:						
At 31st December 1984		58	478	20,045	9,992	31,311
Exchange adjustments	(27)	(4)	(76)	(1,624)	11	(1,720)
Provided during the year	206	17	106	5,578	7,542	13,449
Disposals	(126)		(36)	(3,709)	(4,842)	(8,713)
Transfers to stocks	(85)	(15)				(100)
At 29th December 1985	706	56	472	20,290	12,703	34,227
Net book value:						
At 29th December 1985	6,193	1,049	1,596	21,474	13,682	43,994
At 31st December 1984	11,182	1,475	1,626	24,318	12,008	50,609
Company:						
Cost or valuation:						
At 31st December 1984			18	462		480
Additions				177		177
Disposals				(65)		(65)
At 29th December 1985			18	574		592
Depreciation:						
At 31st December 1984			6	209		215
Provided during the year			1	92		93
Disposals				(56)		(56)
At 29th December 1985			7	245		252
Net book value:						
At 29th December 1985			11	329		340
At 31st December 1984			12	253		265

# **NOTES TO THE ACCOUNTS** CONTINUED

## **14 Tangible fixed assets** (continued)

The cost or valuation of properties at 29th December 1985 includes the following:	Freehold land and buildings £,000	Long leasehold property £,000	Short leasehold property £,000
Group:			
At professional valuation in 1979	2,015		
At professional valuation in 1980	75		
At professional valuation in 1981	659	903	
	<hr/>	<hr/>	<hr/>
At cost	2,749	903	
	4,150	202	2,068
	<hr/>	<hr/>	<hr/>
	6,899	1,105	2,068
	<hr/>	<hr/>	<hr/>
Company:			
At cost			18
			<hr/>
			18
			<hr/>
Properties included at valuation would have been included on an historical cost basis at:			
		Group	
		1985	1984
		£,000	£,000
Cost		2,543	4,411
Depreciation		242	261
		<hr/>	<hr/>
Net book value		2,301	4,150
		<hr/>	<hr/>

## **15 Capital commitments**

Capital commitments contracted at 29th December 1985 amounted to £928,000 (1984: £667,000).  
Capital commitments authorised but not yet contracted amounted to £535,000 (1984: £597,000).

## **16 Lease commitments**

Obligations entered into in respect of finance leases, net of interest, are payable over the following periods:	Group	
	1985	1984
	£,000	£,000
Within one year	1,409	1,644
Between one and five years	1,418	2,358
Over five years	162	
	<hr/>	<hr/>
	2,989	4,002
	<hr/>	<hr/>

At 29th December 1985 the annual commitments under operating leases were as set out below:

	Land and buildings		Other assets	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Operating leases which expire:				
Within one year	323	632	197	9
Between one and five years	1,756	1,954	919	788
Over five years	1,679	1,564	343	40
	<hr/>	<hr/>	<hr/>	<hr/>
	3,758	4,150	1,459	837
	<hr/>	<hr/>	<hr/>	<hr/>

# NOTES TO THE ACCOUNTS

CONTINUED

## 17 Investments

Long leasehold property £000	Short leasehold property £000
903	
903	
202	2,068
1,105	2,068
	18
	18
Group	
1985 £000	1984 £000
2,543	4,411
242	261
2,301	4,150

000 (1984: £657,000).  
000 (1984: £597,000).

Group	
1985 £000	1984 £000
1,409	1,644
1,418	2,358
162	
2,989	4,002

Other assets	
1985 £000	1984 £000
197	9
919	788
343	40
1,459	837

Group:	Associated companies £000	Other investments £000	Total £000
Cost:			
At 31st December 1984	9,406	26	9,432
Exchange adjustments	(236)		(236)
Additions	20		20
Reclassification	(260)	260	
Disposals	(166)	(4)	(170)
Provisions	(7,637)	(159)	(7,796)
At 29th December 1985	1,127	123	1,250
Share of post acquisition reserves:			
At 31st December 1984	5,941		5,941
Exchange adjustments	(1,202)		(1,202)
Share of retained profits for year	141		141
Reclassification	(4,402)	4,402	
Provisions	(401)	(2,846)	(3,247)
At 29th December 1985	77	1,556	1,633
Net book value:			
At 29th December 1985	1,204	1,679	2,883
At 31st December 1984	15,347	26	15,373

The investments in associated companies are unlisted and comprise:

	1985 £000	1984 £000
Group's share of net tangible assets of associates	1,204	7,166
Goodwill		8,181
	1,204	15,347

Dividends receivable from associated companies amounted to £218,000 (1984: £820,000).

Other investments comprise:

	1985 £000	1984 £000
Listed shares (market value £58,000; 1984: £63,000)	22	22
Unlisted shares	1,657	4
	1,679	26

Company:	Group companies £000	Associated companies unlisted £000	Other investments listed £000	Total £000
Cost:				
At 31st December 1984	9,835	7,637	22	17,494
Additions	13			13
Disposals			(2)	(2)
Transfer to group company	(5,765)		(20)	(5,785)
Provisions		(7,637)		(7,637)
At 29th December 1985	4,083	—	—	4,083

A list of principal subsidiary and associated companies is given on pages 41 to 44.

# **NOTES TO THE ACCOUNTS** CONTINUED

## **18 Stocks**

	Group		Company	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Raw materials and consumables	4,916	5,812	20	20
Work in progress	243	253		
Goods purchased for resale	1,953	1,811		
Properties held for resale	1,841			
	<u>8,953</u>	<u>7,876</u>	<u>20</u>	<u>20</u>

## **19 Debtors**

	Group		Company	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Amounts falling due within one year:				
Trade debtors	42,156	48,099		
Amounts due from group companies			81,975	82,832
Amounts due from associates	1,783	2,721		212
Prepayments and accrued income	3,341	3,944	68	57
Other debtors	3,379	3,915	101	76
	<u>50,659</u>	<u>58,679</u>	<u>52,144</u>	<u>83,177</u>
Amounts falling due after more than one year:				
Advance corporation tax recoverable		705	2,404	2,993
Other debtors	822	667	417	475
	<u>51,481</u>	<u>60,051</u>	<u>84,965</u>	<u>86,645</u>

## **20 Creditors: amounts falling due within one year**

	Group		Company	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Current instalments due on loans (note 22)	3,418	4,250		
Bank overdrafts	21,030	11,699	330	557
Trade creditors	11,494	11,378	40	26
Amounts due to group companies			25,129	28,501
Corporation tax	3,600	6,099	1,566	1,774
Other taxes including social security	4,672	5,089	21	32
Other creditors	11,941	7,780	67	29
Accruals	18,100	18,833	1,221	236
Proposed dividends	1,677	3,082	1,677	3,082
	<u>75,932</u>	<u>68,210</u>	<u>30,051</u>	<u>34,237</u>

Of the Group's bank overdrafts of £21,030,000 (1984: £11,699,000), bank overdrafts amounting to £20,489,000 (1984: £ nil) are secured by fixed and floating charges over the majority of the Group's assets and are the subject of certain intra Group guarantees.

## **21 Creditors: amounts falling due after more than one year**

## **22 Loans**

# NOTES TO THE ACCOUNTS

## CONTINUED

Company	
1985	1984
£,000	£,000
20	20
20	20

### 21 Creditors: amounts falling due after more than one year

	Group		Company	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Loans (note 22)	35,363	50,300		
Corporation tax	944	1,076		
Other creditors	2,462	2,382	1,220	
Accruals	208	300		
	<u>38,977</u>	<u>54,058</u>	<u>1,220</u>	<u>-</u>

Company	
1985	1984
£,000	£,000
11,975	82,832
68	212
101	57
	76
<u>82,144</u>	<u>83,177</u>
2,404	2,993
417	475
<u>84,965</u>	<u>86,645</u>

### 22 Loans

	Group	
	1985	1984
	£,000	£,000
Loans:		
Banks	37,944	50,413
Other	837	4,137
	<u>38,781</u>	<u>54,550</u>
Amounts due within one year (included in current liabilities)	3,418	4,250
	<u>35,363</u>	<u>50,300</u>
Loans are repayable as follows:		
Bank loans:		
Between one and two years	34,577	4,257
Between two and five years		20,792
Over five years by instalments		21,230
	<u>34,577</u>	<u>46,279</u>
Other loans:		
Between one and two years	31	94
Between two and five years	101	3,074
Over five years by instalments	654	853
	<u>786</u>	<u>4,021</u>

Of the Group's bank and other loans of £38,781,000 (1984: £54,550,000), bank and other loans amounting to £38,739,000 (1984: £1,960,000) are secured by fixed and floating charges over the majority of the Group's assets and are the subject of certain intra Group guarantees.

Other loans repayable by instalments over more than five years comprise a US dollar mortgage loan subject to interest at 14% and repayable in monthly instalments over the next 14 years.

Order drafts amounting to majority of the Group's

# NOTES TO THE ACCOUNTS

## CONTINUED

### 23 Deferred taxation

Deferred taxation provided in the accounts and the potential amounts, including the amounts for which provision has been made, are as follows:

	Amount provided		Potential amount	
	1985	1984	1985	1984
	£,000	£,000	£,000	£,000
Group:				
Accelerated capital allowances	4,670	5,346	5,252	7,661
Short term and other timing differences	3,435	7,768	3,488	6,382
Losses	(3,421)	(7,936)	(3,428)	(6,979)
Property revaluation surpluses				967
	4,684	5,178	5,312	8,031
Advance corporation tax	(2,529)	(2,667)	(3,120)	(3,372)
	2,155	2,511	2,192	4,659
Company:				
Accelerated capital allowances	48	16	48	16
Advance corporation tax	(40)	(10)	(40)	(10)
	8	6	8	6

### 24 Share capital

	Number of shares	1985	1984
		£,000	£,000
Authorised:			
Ordinary shares of 25p each	134,940,888	33,735	33,700
Special Non-Voting Ordinary shares of 25p each	1,059,112	265	294
	136,000,000	34,000	34,000
Allotted called up and fully paid:			
Ordinary shares of 25p each	115,682,619	28,920	28,541
Special Non-Voting Ordinary shares of 25p each	1,059,112	265	294
	116,741,731	29,185	28,835

On 15th July 1985 the Company issued 1,400,000 Ordinary shares of 25p each in connection with the settlement of outstanding liabilities on a US acquisition.

Under the rules of the 1980 Share Option Scheme of the PSG Employees Trust, of which N F Baldock is a co-trustee, options remain outstanding to qualifying employees to purchase 711,217 Special Non-Voting Ordinary shares from the Trustees. Options in respect of 117,263 shares were exercised during the year and, in accordance with the rules, the shares were automatically converted to Ordinary shares of 25p each ranking *pari passu* in all respects with existing Ordinary shares then in issue. During the year, options lapsed in respect of 257,895 shares.

Following shareholder approval at the Extraordinary General Meeting held on 7th June 1985, amendments were made to the rules of both the 1980 Share Option Scheme and the 1982 Share Option Scheme. Subsequently, options have been granted to qualifying employees to purchase an additional 347,540 Special Non-Voting Ordinary shares of 25p from the Trustees under the rules of the 1980 Share Option Scheme and options have been granted to Directors and Executives under the rules of the 1982 Share Option Scheme to subscribe for a total of 2,840,632 Ordinary shares in the Company.

The options to acquire Special Non-Voting Ordinary and Ordinary shares are exercisable at prices between 44.286p and 60p per share during the period to 20th November 1995 in accordance with the rules of the two schemes.

# NOTES TO THE ACCOUNTS CONTINUED

## 25 Reserves

Potential amount	
1985	1984
£,000	£,000
5,252	7,661
3,488	6,382
(3,128)	(6,979)
	967
5,312	8,031
(3,120)	(3,372)
2,192	4,659
48	16
(40)	(10)
8	6
1985	1984
£,000	£,000
33,735	33,706
265	294
34,000	34,000
28,920	28,541
265	294
29,185	28,835

each in connection with

Trust, of which  
employees to purchase  
respect of 117,263 shares  
es were automatically  
s with existing Ordinary  
shares.

on 7th June 1985,  
e and the 1982 Share  
employees to purchase an  
stees under the rules  
ors and Executives under  
632 Ordinary shares in

re exercisable at prices  
95 in accordance with

## 26 Contingent liabilities

	Share premium account £,000	Revaluation reserve £,000	Other reserves £,000	Profit and loss account £,000	Total £,000
Group:					
At 31st December 1984	25,259	3,676	8,675	40,125	77,735
Exchange adjustments				(15,406)	(15,406)
Retained loss for year				(6,597)	(6,597)
Premium on issue of shares					
net of expenses	602				602
Goodwill written off				(24,528)	(24,528)
Transfer from revaluation reserve		(2,073)			(2,073)
Transfer			(8,337)	8,337	
At 29th December 1985	25,861	1,603	338	1,931	29,733
Company:					
At 31st December 1984	25,259			16,595	41,854
Exchange adjustments				(328)	(328)
Retained loss for the year				(13,109)	(13,109)
Premium on issue of shares					
net of expenses	602				602
At 29th December 1985	25,861			3,158	29,019

### Company:

At 30th December 1984, the Company had guaranteed certain bank overdraft facilities and loans of subsidiary companies amounting to £87,554,000. This has now been superseded by the secured and guarantees referred to in notes 20 and 22. In addition, the Company has also guaranteed bank overdraft facilities of a subsidiary company amounting to £94,000.

The Company has guaranteed overdraft facilities of associated companies amounting to £2,722,000 (1984: £7,277,000).

The Company has given guarantees in respect of performance, tender and advance payment bonds and leasing obligations relating to subsidiary and associated companies entered into in the normal course of business. £7,940,000 of these guarantees are secured by fixed and floating charges over the majority of the Group's assets.

### Group:

Bank overdraft facilities of associated companies amounting to £3,110,000 are secured by fixed and floating charges over the majority of the Group's assets.

A subsidiary company in the USA is involved in a legal dispute with a customer relating to an alleged breach of contract and has issued a claim for £0.2 million. A counter-claim has been lodged against the subsidiary company in the amount of £1.0 million, which is being strongly denied. The ultimate liability, if any, cannot, however be quantified at this stage.

The Group has agreed to pay additional consideration in connection with the acquisition of subsidiary companies in prior years based on the achievement of specified results by those subsidiaries over a number of years. These payments are unlikely to exceed £1.5 million.

The potential amount of taxation deferred by timing differences, which it is estimated will not be payable in the foreseeable future, amounts to £574,000 (1984: £2,853,000).

## NOTES TO THE ACCOUNTS

### CONTINUED

#### 27 Post balance sheet events

On 2nd May 1986 the Company signed an agreement whereby its bankers have agreed to continue their facilities to the Group on a secured basis. Details of the amounts secured under this agreement are given in notes 20 and 22.

#### United Kingdom

Pritchard Services Industries Ltd

Pritchard Services Ltd

Crothall & Company Ltd

Pritchard Industries Ltd

Pritchard Insurance Services Ltd\*

Pritchard Janitorial Supplies Ltd

Pritchard Security Services Ltd

Spring Grove Services Ltd

#### Overseas

##### Australia

Command Services Corporation Ltd

Cable On-Line Computer Services Pty Ltd

Comprehensive Australasian Enterprises Pty

Challenge Properties Services Pty Ltd

Crothall Hospital Services (Aust)

Advanced Food International Pty



## PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES

have agreed to continue  
under this agreement

United Kingdom	Address	Principal activities	Beneficial interest in equity %
Pritchard Service Industries Ltd*	Pritchard House, 45 Millharbour, Millwall, London E14 9TD Tel: 01-538 3122 Telex: 8958021	Holding company	100
Pritchard Services Ltd	Pritchard House, 45 Millharbour, Millwall, London E14 9TD Tel: 01-538 3122 Telex: 8958021	Building maintenance	100
Crothall & Company Ltd	Pritchard House, 45 Millharbour, Millwall, London E14 9TD Tel: 01-538 3122 Telex: 8958021	Hospital support services	100
Pritchard Industrial Services Ltd	Pritchard House, 45 Millharbour, Millwall, London E14 9TD Tel: 01-538 3122 Telex: 8958021	Refuse collection Street cleansing Pest control	100
Pritchard Insurance Services Ltd*	Insurance House, Station Road, Marlow, Bucks SL7 1NY Tel: (06284) 6901 Telex: 847126	Insurance	51
Pritchard Janitorial Supplies Ltd	1 Bath Road, Hounslow, Middlesex TW6 2BA Tel: 01-759 4902	Hygiene products distribution	100
Pritchard Security Services Ltd	Congreve House, Station Road, Redhill, Surrey RH1 1PR Tel: (0737) 68443	Security	100
Spring Grove Services Ltd	Roentgen Road, Daneshill East, Basingstoke, Hants RG24 0NT Tel: (0256) 20661 Telex: 858692	Workwear rental and washroom equipment Safety wear products	100
<b>Overseas</b>			
<b>Australia</b>			
Command Services Corporation Ltd	83 Mount Street, North Sydney, NSW 2060 Tel: 922 5800 Telex: AA170108	Holding company	67
Cable On-Line Computer Services Pty Ltd	83 Mount Street, North Sydney, NSW 2060 Tel: 929 6877 Telex: AA170108	Computer service bureau and software consultants	67
Comprehensive Australasian Retirement Enterprises Pty Ltd	83 Mount Street, North Sydney, NSW 2060 Tel: 922 5800 Telex: AA170108	Retirement village management	67
Challenge Property Services Pty Ltd	83 Mount Street, North Sydney, NSW 2060 Tel: 929 6877 Telex: AA170108	Building maintenance Security	67
Crothall Hospital Services (Aust) Pty Ltd	22 Hunter Street, Parramatta, NSW 2150 Tel: 689 1666 Telex: AA170108	Hospital support services	67
Advanced Foods Systems International Pty Ltd	22 Hunter Street, Parramatta, NSW 2150 Tel: 633 5988 Telex: AA170108	Hospital dietary and catering services	67

**PRINCIPAL SUBSIDIARY  
AND ASSOCIATED COMPANIES**  
CONTINUED

Overseas	Address	Principal activities	Beneficial Interest in equity %
<b>Canada</b>			
Pritchard Services Group of Canada Ltd	1611 Gladstone Street, Montreal, Quebec, H4E 1C6 Tel: (514) 761 5801	Holding company	100
Crothall Services Ltd	344 Lakeshore Road East, Oakville, Ontario, L6J 5B1 Tel: (416) 845 3863	Hospital support services	100
J A Hubert Ltée	1611 Gladstone Street, Montreal, Quebec, H4E 1C6 Tel: (514) 761 5801	Catering and vending	100
Pritchard Building Services Ltd	135 Midwest Road, Scarborough, Ontario, M1P 3A6 Tel: (416) 751 3462	Building maintenance	100
Phillips Security Services Ltd	1621 Gladstone Street, Montreal, Quebec, H4E 1C6 Tel: (514) 765 0131	Security	100
<b>Cayman Islands, BWI</b>			
Canron Insurance Ltd	PO Box 1984, Grand Cayman, Cayman Islands, BWI Tel: 809-94-7411 Telex: CP4455	Insurance	100
<b>Germany</b>			
Pritchard Services Group GmbH	Grafenberger Allee 32, 4000 Düsseldorf 1 Tel: (0211) 683100	Industrial machinery cleaning Building maintenance	100
Spring Grove Services GmbH	Osteraade 51, 2050 Hamburg 80 Tel: (040) 7383084	Linen and workwear rental Industrial laundry	100
<b>Hong Kong</b>			
Reliance Services Co Ltd	Room 1010, New World Office Building East Wing, 24 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong Tel: 3-7239113 Telex: 38766	Building maintenance Pest control Carpet services	17
<b>Ireland</b>			
Contract Cleaners Ltd	22 South Richmond Street, Dublin 2 Tel: Dublin 896811	Building maintenance	100
Denim Finishers Ltd	Unit 1, Glanmire Industrial Estate, Glanmire, Co Cork Tel: (022) 822185	Denim finishing	100
Janitorial Supplies Ltd	22 South Richmond Street, Dublin 2 Tel: Dublin 756246	Hygiene products distribution	100
Spring Grove Ireland Ltd	Cabinteely, Co Dublin Tel: Dublin 896811	Linen and workwear rental Industrial laundry	100
<b>The Netherlands</b>			
Ender Servicebedrijven Ned BV	van Vollenhovenstraat 35, 3016BG Rotterdam Tel: (10) 4366288	Building maintenance	100
Spring Grove Services BV	's Graveandseweg 250 3125BK Schiedam Tel: (010) 4154155	Linen and workwear rental	100

Overseas

New Zealand  
Command  
Corporation  
Advanced  
International  
Crothall

Crothall P  
Services L

Huntsbury  
Services L

Program  
Maintenance  
Services L

Securitas

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Investme

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(IAE) Co

PRINCIPAL SUBSIDIARY  
AND ASSOCIATED COMPANIES  
CONTINUED

Beneficial interest in equity %	Overseas	Address	Principal activities	Beneficial interest in equity %
100	<b>New Zealand</b>			
	Command Services Corporation Ltd	330 Port Hills Road, Christchurch 2 Tel: 39-059 Telex: NZ4675	Holding company	67
100	Advanced Food Systems International Ltd	330 Port Hills Road, Christchurch 2 Tel: 34125 Telex: NZ4675	Hospital catering	67
100	Crothall Industries Ltd	330 Port Hills Road, Christchurch 2 Tel: 33-023 Telex: NZ4675	Hospital support services	67
	Crothall Property Services Ltd	25/29 Broderick Road, Johnsonville, Wellington Tel: 780-720	Building maintenance	67
100	Huntsbury Food Services Ltd	PO Box 25-102, Christchurch Tel: 68-253	Catering and vending	67
100	Programmed Maintenance Services Limited	25/29 Broderick Road, Johnsonville, Wellington Tel: 780-720	Exterior property maintenance	34
	Securitas (NZ) Ltd	58 Symonds Street, Auckland 1 Tel: 792-997 Telex: NZ21296	Security	67
100	Seekers Communications Ltd	159 Kilmore Street, Christchurch Tel: 792-720 Telex: NZ4801	Telephone monitoring	67
	Synergetic Systems Ltd	330 Port Hills Road, Christchurch 2 Tel: 34-027 Telex: NZ4657	Catering management systems	67
	<b>Saudi Arabia</b>			
	Saudi Pritchard Ltd	PO Box 5736, Riyadh Tel: 477 2237 Telex: 200893	Refuse collection Street cleansing	50
	Arabian Cleaning Enterprise Ltd		Building maintenance	20
	<b>South Africa</b>			
17	Pritchard Services Group (South Africa) (Pty) Ltd	PO Box 1681, Johannesburg 2000 Tel: (011) 680 5700	Building maintenance Security	100
	<b>Spain</b>			
100	Pritchard Española SA	C/Hernandez Inglesias No. 4-1, Madrid 27 Tel: 408 3675 Telex: 41442	Building maintenance Aircraft valeting	90
	<b>Thailand</b>			
100	Asian Holding & Investment Co Ltd	1426 New Petchburi Road PO Box 2017, Bangkok Tel: 251 6671 Telex: 82180	Security Building maintenance	64
100	Inter Asian Enterprises (IAE) Co Ltd	1426 New Petchburi Road PO Box 2017, Bangkok Tel: 251 6671 Telex: 82180	Horticultural services	30
100				
100				

**PRINCIPAL SUBSIDIARY  
AND ASSOCIATED COMPANIES**  
CONTINUED

Overseas	Address	Principal activities	Beneficial Interest in equity %
<b>USA</b>			
Pritchard Services Group of America, Inc	3409 Seagram Building, 375 Park Avenue, New York 10152 Tel: (212) 319 8025	Holding company	100
Pritchard Management Services Inc	3409 Seagram Building, 375 Park Avenue, New York 10152	Management services	100
All State Cleaning Contractors, Inc	24 Park Avenue, West Orange, New Jersey 07052	Building maintenance	100
Ambicare, Inc	Suite 303, 1515 Capital of Texas Highway South, Austin, Texas 78746 Tel: (512) 328 0064	Home health care	45
Atlantic Window Cleaning Co Inc	24 Park Avenue West Orange, New Jersey 07052	Building maintenance	100
Center Health Care Services, Inc	Suite 303, 1515 Capital of Texas Highway South, Austin, Texas 78746 Tel: (512) 328 0064	Home health care	100
Crothall American Inc	200 Stockton Building, University Office Plaza, Newark, Delaware 19702 Tel: (302) 738 9500 Telex: 510 666 0969	Hospital support services	100
Food Concepts, Inc	290 Veterans Boulevard, Rutherford, New Jersey 07070 Tel: (201) 933 8500	Catering and vending	100
Kimberly Services, Inc	8500 West 110th Street, Suite 600, Overland Park, Kansas, 66210, Missouri Tel: (913) 642 9380	Home health care	100
Pritchard Healthcare, Inc	8500 West 110th Street, Suite 600, Overland Park, Kansas, 66210, Missouri Tel: (913) 642 9380	Holding company	100
Pritchard Services, Inc	1120 Avenue of the Americas, New York, N.Y. 10036	Building maintenance	100
<b>Notes</b> (1) * indicates a direct subsidiary of Pritchard Services Group PLC (2) All holdings are of ordinary shares or common stock (3) A complete list of subsidiary and associated companies will be attached to the parent company's annual return made to the Registrar of Companies.			

# AUDITORS' REPORT

## Beneficial interest in equity %

100

100

100

45

100

100

100

100

100

100

100

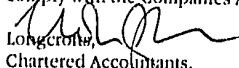
to the parent company's

### To the Members of Pritchard Services Group PLC

We have audited the financial statements on pages 24 to 44 in accordance with approved Auditing Standards.

In our opinion the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain properties, give a true and fair view of the state of affairs of the Company and the Group at 29th December 1985 and of the loss

and source and application of funds of the Group for the 52 weeks then ended and comply with the Companies Act 1985.

  
Longcroft,  
Chartered Accountants,  
Longcroft House,  
Victoria Avenue,  
Bishopsgate,  
London EC2M 4NS

6th May 1986

# PRITCHARD SERVICES GROUP PLC FORM OF PROXY

I/We \_\_\_\_\_

(BLOCK CAPITALS PLEASE)

of \_\_\_\_\_

being a member of the above named Company, hereby appoint P R PRITCHARD, or failing him, N F BALDOCK, both being Directors of the Company, or the undermentioned person, who need not be a member of the Company,

of \_\_\_\_\_

as my/our proxy to vote for me and on my/our behalf at the Annual General Meeting of the Company to be held at the Inn on the Park, Hamilton Place, Park Lane, London, W1, at 12 noon on Monday, 7th July, 1986 and at any adjournment thereof.

Signed \_\_\_\_\_

Date \_\_\_\_\_

1986

Please indicate with an X in the spaces below how you wish your votes to be cast. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or abstain as he thinks fit.

Resolutions	For	Against
1 To adopt the Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect N F Baldock as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect A R Philipson as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-appoint Longcrofts as auditors and to authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
6 To authorise the Directors to allot Relevant Securities and to renew the Disapplication Power under Article 20	<input type="checkbox"/>	<input type="checkbox"/>

**Note:**

This proxy must be deposited at the Office of the Company's Registrar, as overleaf, not less than 48 hours before the time fixed for the Meeting.

In the case of a corporation this proxy must be executed under its common seal, if any, or under the hand of some officer or attorney duly authorised in writing in that behalf in which case the written authority must also be lodged at the Office of the Company's Registrar by the above-mentioned time and date.

In the case of joint holders any one such person may sign, but the vote of the holder first in the Register shall be accepted to the exclusion of the votes of the other holders.

FOLD TWO

BUSINESS REPLY SERVICE  
Licence No. 2282

2

National Westminster Bank PLC,  
Registrar's Department,  
P.O. Box 82,  
National Westminster Court,  
37 Broad Street,  
BRISTOL BS99 7YA

FOLD ONE

FOLD THREE