

PRITCHARD SERVICES LIMITED  
(formerly Provincial Cleaning Services Limited)

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986

PRITCHARD SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986

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# PRITCHARD SERVICES LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1986.

## CHANGE OF NAME

During the period the Company changed its name from Provincial Cleaning Services Limited to Pritchard Services Limited.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continues to be that of industrial and office cleaning.

During 1986 the Company acquired a number of companies from the Home Counties Group and the business and net assets of the industrial and office cleaning activities of Pritchard Services Industries Limited.

## RESULTS

The loss for the year after taxation and extraordinary items amounted to £4,919,446. The directors do not recommend the payment of a dividend.

## FIXED ASSETS

During the period certain subsidiaries transferred their fixed assets to the Company. The movements on fixed assets are set out in note 8 to the financial statements. The movements on fixed asset investments are shown in note 9.

## DIRECTORS

The directors of the Company were:

P.J. Fox	
D.W. Morris	(resigned 2nd April 1987)
P.J. Wells	
R.D. Green	(appointed 2nd April 1987)

## DIRECTORS' INTERESTS

None of the directors had any interest in the share capital of the Company. The following directors had interests in the share capital of Hawley Group Limited:-

	Beneficial		Options	
	1986	1985	1986	1985
P.J. Fox	27,844	-	225,000	200,000
D.W. Morris	-	-	30,000	15,000
P.J. Wells	-	-	15,000	-

PRITCHARD SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN CONTRACTS

No director has had a material interest in any contract to which the Company was a party during the period.

EMPLOYMENT OF DISABLED PERSONS

The maintenance of a highly skilled workforce is the key to the future of the Company's activities. Health and safety matters are given special attention by the directors. It is their policy to give full and fair consideration to employment applications from disabled persons, having regard to their aptitudes and abilities, and to ensure that continued employment is offered to employees who become temporarily or permanently disabled. Training, career development and promotion of a disabled person is identical to that of other employees as far as possible.

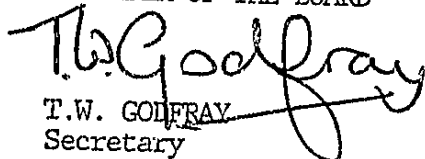
EMPLOYEE INVOLVEMENT

The directors believe in a policy of keeping employees informed and consulted wherever possible.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

  
T.W. GODFRAY  
Secretary

Farnham Common

AUDITORS' REPORT TO THE MEMBERS OF  
PRITCHARD SERVICES LIMITED

We have audited the financial statements on pages 4 to 13, in accordance with approved Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31st December 1986 and of its loss for the year then ended and comply with the Companies Act 1985.

As stated in note 19, the financial statements do not include a statement of source and application of funds as required by standard accounting practice.

*Deloitte Haskins & Sells*

DELOITTE HASKINS & SELLS  
Chartered Accountants

London  
23 June 1987

PRITCHARD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31st DECEMBER 1986

	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	1	19,137,961	20,445,651
Net operating expenses	2	(18,360,956)	(20,932,722)
OPERATING PROFIT/(LOSS)		777,005	(487,071)
Interest receivable		-	25,753
Amounts written off investments	4	-	(404,751)
PROFIT/LOSS BEFORE INTEREST PAYABLE		777,005	(866,069)
Interest payable	5	(967,472)	(691,264)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(190,467)	(1,557,333)
Taxation credit	6	-	63,818
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(190,467)	(1,493,515)
Extraordinary items	7	(4,728,979)	(3,087,680)
LOSS FOR THE FINANCIAL PERIOD	16	<u>£(4,919,446)</u>	<u>£(4,581,195)</u>

PRITCHARD SERVICES LIMITED

BALANCE SHEET  
AT 31st DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
FIXED ASSETS			
Tangible assets			
Investments	8	2,666,447	2,035,301
	9	756,818	756,818
		<u>3,423,265</u>	<u>2,792,119</u>
CURRENT ASSETS			
Stocks of materials and consumables		61,280	72,270
Debtors		10,034,828	6,287,171
Investments	11	7,000	220,000
Cash at bank and in hand		12,330	25,408
		<u>10,115,438</u>	<u>6,604,849</u>
CURRENT LIABILITIES - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(28,645,707)	(20,154,238)
NET CURRENT LIABILITIES		<u>(18,530,269)</u>	<u>(13,549,389)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(15,107,004)</u>	<u>(10,757,270)</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (INCLUDING LOANS)	12	(250,974)	(679,384)
NET LIABILITIES BEFORE PROVISIONS		<u>(15,357,978)</u>	<u>(11,436,654)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	(2,547,345)	(1,549,223)
NET LIABILITIES		<u>£(17,905,323)</u>	<u>£(12,985,877)</u>
CAPITAL AND RESERVES			
Called up share capital	15	100	100
Profit and loss account	16	(17,905,423)	(12,985,977)
		<u>£(17,905,323)</u>	<u>£(12,985,877)</u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 23 June 1987 and were signed on its behalf by:

P.J. FOX )  
R.D. GREEN ) Directors

*R.D. Green*

## PRITCHARD SERVICES LIMITED

### ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention on a going concern basis on the assumption that group companies continue to provide financial support, and are made up to the Sunday nearest to the 31 December. The 1986 financial year is the period ended 28th December 1986 (1985 - period ended 31st December 1985).

(b) Turnover

Turnover represents the amount derived from the provision of goods and services falling within the Company's ordinary activities after deduction of value added tax.

(c) Depreciation and amortisation

The cost of fixed assets is written off on the straight line basis over their expected useful lives as follows:

Freehold buildings	2%
Short leasehold property	over period of lease
Plant and machinery, fixtures fittings and equipment	15% - 20%
Motor vehicles	25%

Freehold land is not depreciated.

(d) Fixed asset investments

These are stated at the lower of cost and net asset value.

(e) Stocks

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

(f) Deferred taxation

Deferred taxation is calculated by the liability method and is provided on timing differences which will probably reverse, in the foreseeable future, at the rates of tax likely to be in force at the time of reversal. The directors do not consider it prudent to recognise a deferred taxation asset.

(g) Leases and hire purchase

Where assets are financed by leasing or hire purchase agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. All other leases are operating leases, and the annual rentals are charged against earnings on a straight-line basis over the lease term. The interest element of the hire purchase agreements is charged against earnings over the term of the agreement on a straight-line basis.



PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986

1. **TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

All turnover and loss on ordinary activities before taxation are earned in the United Kingdom from contract cleaning.

2. **NET OPERATING EXPENSES**

	<u>1986</u> £	<u>1985</u> £
Raw materials and consumables	626,254	835,577
Staff costs (note 3)	13,484,437	15,641,091
Depreciation of tangible fixed assets	777,892	670,602
Other operating charges	3,472,373	3,785,452
	<u>£18,360,956</u>	<u>£20,932,722</u>

Other operating charges include:

Auditors' remuneration	£ 84,000	£55,000
Hire of plant and machinery	£147,704	£ -
Hire of other assets - operating leases	<u>£276,297</u>	<u>£ 9,765</u>

3. **DIRECTORS AND EMPLOYEES**

The average weekly number of persons employed by the Company during the period was:-

	<u>1986</u> Number	<u>1985</u> Number
Full-time	1,388	1,353
Part-time	9,780	10,372
	<u>11,168</u>	<u>11,725</u>

Staff costs:-

	£	£
Wages and salaries	13,169,105	15,215,745
Social security costs	315,332	425,346
	<u>£13,484,437</u>	<u>£15,641,091</u>

PEITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

3.	DIRECTORS AND EMPLOYEES (continued)	<u>1986</u>	<u>1985</u>
	The remuneration paid to directors was:		
	Emoluments (including pension contributions)	-	£61,630
	Compensation for loss of office	-	£55,760
		<u>-</u>	<u>£117,390</u>
	Emoluments disclosed above (excluding contributions) include amounts paid to:		
	The highest paid director	-	£38,296
		<u>-</u>	<u>£38,296</u>
	The number of other directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:		
		<u>Number</u>	<u>Number</u>
	£0 - £5,000	3	4
	£15,001 - £20,000	-	1
		<u>-</u>	<u>1</u>
4.	AMOUNTS WRITTEN OFF INVESTMENTS	<u>1986</u>	<u>1985</u>
		£	£
	Write down of investments to net asset value	£ -	£404,751
		<u>£ -</u>	<u>£404,751</u>
5.	INTEREST PAYABLE	£	£
	On bank overdraft and loans:		
	Repayable within 5 years, not by instalments	873,591	538,947
	Repayable within 5 years, by instalments	93,881	152,317
		<u>£967,472</u>	<u>£691,264</u>
6.	TAXATION		

A tax credit of £ - (1985 - £63,818) arises in respect of the write back of deferred taxation no longer required. Losses amounting to approximately £4,000,000 (1985 - £4,000,000) are available for group relief or to be carried forward against future trading profits.

PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

7. EXTRAORDINARY ITEMS

	1986 £	1985 £
Re-organisation costs	-	3,087,680
Provision against investment in subsidiary companies	4,728,979	-
	<u>£4,728,979</u>	<u>£3,087,680</u>

8. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Fixtures, fittings, Plant and equipment £	Motor vehicles £	Total £
Cost					
At beginning of period	174,265	2,765,685	537,779	1,002,611	4,480,340
Additions	-	37,504	120,266	16,010	173,780
Transfer from group companies	273,817	1,940,804	344,045	806,716	3,365,382
Disposals	(32,575)	(6,000)	(16,250)	(213,266)	(268,091)
At end of period	<u>415,507</u>	<u>4,737,993</u>	<u>985,840</u>	<u>1,612,071</u>	<u>7,751,411</u>
Depreciation					
At beginning of period	30,748	1,485,843	422,613	505,835	2,445,039
Charge for the period	7,349	433,831	85,251	251,461	777,892
Transfers from group companies	14,581	1,355,257	234,912	440,177	2,044,927
Eliminated in respect of disposals	(6,687)	(5,400)	(15,000)	(155,807)	(182,894)
At end of period	<u>45,991</u>	<u>3,269,531</u>	<u>727,776</u>	<u>1,041,666</u>	<u>5,084,964</u>
Net book value					
At end of period	<u>£369,516</u>	<u>£1,468,462</u>	<u>£258,064</u>	<u>£570,405</u>	<u>£2,666,447</u>
At beginning of period	<u>£143,517</u>	<u>£1,279,842</u>	<u>£115,166</u>	<u>£496,776</u>	<u>£2,035,301</u>

PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

8. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings is analysed as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Freeholds	137,011	117,469
Long leaseholds	12,895	26,048
Short leaseholds	219,610	-
	<u>£369,516</u>	<u>£143,517</u>

9. FIXED ASSET INVESTMENTS

	<u>£</u>
Cost less provisions at beginning of period	756,818
Additions	4,728,979
Provision against investment in subsidiary companies	(4,728,979)
Cost less provisions at end of period	<u>£756,818</u>

All of the fixed asset investments are 100% owned dormant subsidiaries of the Company all of which are incorporated in Great Britain.

10. CAPITAL COMMITMENTS

	<u>1986</u>	<u>1985</u>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>£ -</u>	<u>£150,944</u>

11. DEBTORS

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Amounts falling due within one year:		
Trade debtors	5,735,015	3,438,651
Amounts owed by group companies	4,021,672	2,713,272
Other debtors	141,122	34,729
Prepayments and accrued income	137,029	100,519
	<u>£10,034,828</u>	<u>£6,287,171</u>

PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

12.	CREDITORS	<u>1986</u>	<u>1985</u>
		£	£
	Amounts falling due within one year:		
	Bank overdraft	3,747,982	1,010,742
	Trade creditors	945,598	713,415
	Amounts owed to group companies	19,652,638	13,604,844
	Corporation tax	-	21,241
	Other taxation and social security payable	1,403,311	2,894,942
	Other creditors	1,225,521	1,009,884
	Accruals and deferred income	1,670,657	899,170
		<u>£28,645,707</u>	<u>£20,154,238</u>
	Amounts falling due after more than one year:	<u>1986</u>	<u>1985</u>
		£	£
	Other creditors	<u>250,974</u>	<u>679,384</u>
13.	DEFERRED TAXATION	<u>1986</u>	<u>1985</u>
		£	£
	The potential liability for deferred tax at 35% not provided for in the financial statements is as follows:		
	Tax effect of timing differences due to:		
	Excess of tax allowances over depreciation	-	417,187
	Losses available	-	417,187
		<u>£ -</u>	<u>£ -</u>
14.	PROVISIONS FOR LIABILITIES AND CHARGES	<u>1986</u>	<u>1985</u>
		£	£
	Provisions for closure cost and redundancy payments	<u>£2,547,345</u>	<u>£1,549,223</u>

PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

15. CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid  
 100 ordinary shares of £1 each

£100

£100

16. PROFIT AND LOSS ACCOUNT - ADVERSE BALANCE

£

At beginning of period  
 Loss for the year

(12,985,977)  
 (4,919,446)

At end of period

£(17,905,423)

17. CONTINGENT LIABILITIES

The Company has guaranteed the bank indebtedness of its intermediate U.K. holding company and certain other subsidiaries of the intermediate holding company.

18. COMMITMENTS UNDER OPERATING LEASES

	<u>1986</u>	
	<u>Land and buildings</u>	<u>Other</u>
At 31st December the company had annual commitments under non- cancellable operating leases as follows:		
Expiring within one year	12,703	99,631
Expiring between two and five years	65,611	52,512
Expiring in five years or more	328,776	-
	<u>407,090</u>	<u>152,143</u>

Comparative figures are not available for 1985.

19. SOURCE AND APPLICATION OF FUNDS

A source and application of funds statement has not been prepared since the directors do not consider it meaningful in the context of group financing arrangements.

PRITCHARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

20. ULTIMATE HOLDING COMPANY

The ultimate holding company of Pritchard Services Limited is Hawley Group Limited, a company incorporated in Bermuda.

21. GROUP ACCOUNTS

Group accounts have not been prepared as the Company is a wholly owned subsidiary of another company incorporated in the United Kingdom.