# Excellence Limited

*(Formerly Excellence PLC)*

# Directors' report and financial statements

27 September 1998

Registered number 2010631

A41 *A5RT3I8S* 496
COMPANIES HOUSE 22/07/99

# Directors' report and financial statements

## Contents

| | |
|---|---|
| Contents | 1 |
| Directors' report | 2 - 3 |
| Statement of directors' responsibilities | 4 |
| Auditors' report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Reconciliation of movements in shareholders' funds | 8 |
| Notes to the financial statements | 9 - 18 |

# Directors' report

The directors present their report and the audited financial statements for the period ended 27 September 1998.

### Change of name and accounting reference date

The company was re-registered as a private limited company on 27 May 1998. As a consequence of Jordec Group plc acquiring the entire issued ordinary share capital of the company on 29 June 1998, the accounting reference date has been changed to September.

### Principal activities and business review

The company's principal activities during the period were those of contract cleaning and facilities management.

The directors consider that progress has been made in developing the business; the Board will endeavour to continue this development during the current year within the prevailing market conditions.

### Proposed dividends and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the period after taxation of £313,840 *(period ended 4 January 1998: profit after taxation of £169,854)* is transferred to reserves.

There were no dividends in respect of the period ended 4 January 1998.

### Fixed assets

The movements in fixed assets are shown in notes 9, 10 and 11 to the financial statements.

### Directors and their interests

The directors who held office during the period and their beneficial interests in the share capital of the company were as follows:

| | Number of ordinary shares of £1 each | |
|---|---|---|
| | 27 September 1998 | 4 January 1998 or later date of appointment |
| PW Cooper | - | - |
| AW Sibley | - | 182,571 |
| R Sibley | - | 182,571 |
| J R Foley – appointed 29 June 1998 | - | - |

The interests of J R Foley, who is also a director of the company's ultimate parent undertaking Jordec Group plc, are shown in the notes to the financial statements of that company; the interests of the other directors in the share capital of Jordec Group plc, all of which are beneficial, are as follows:

# Directors' report *(continued)*

| | Number of ordinary shares of 5p each | |
|---|---|---|
| | 27 September 1998 | 4 January 1998 |
| PW Cooper | 72,404 | - |
| AW Sibley | 612,229 | - |
| R Sibley | 639,729 | - |

Throughout the period PW Cooper held an option to acquire 82,747 ordinary shares in Excellence Limited at a price of £1 each which, on exercise, will be acquired by Jordec Group plc by the issue of ordinary shares of 5p each at a price of 57p per share. This option expires on 23 April 2004.

There are no other directors' interests requiring disclosure under the Companies Act 1985.

The Jordec Group maintains insurance to cover directors' and officers' liability as permitted by section 310 (3)(a) of the Companies Act 1985.

**Employees**

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

The company has continued its policy of regularly consulting and communicating with its employees through briefing meetings, announcements on notice boards and distribution of the annual report.

**Year 2000**

The Millennium Bug, or Year 2000 issue, refers to potential problems in the processing of data or operation of electronic equipment if affected by the transition from 1999 to 2000. The directors fully recognise the potential risks with the issue and have been taking reasonable steps to ensure that the company is prepared for the event. The costs of preparing the company's systems and controls for the transition are not anticipated to be material.

**Euro**

The directors are aware of the implications of the introduction of the Euro and appropriate systems and controls are being implemented. The directors do not consider that the costs associated with the introduction of the Euro will be significant.

**Donations**

Charitable donations for the period were £200 *(period ended 4 January 1998: £302)*. There were no political donations in either period.

**Auditors**

During the period KPMG resigned as auditors and the directors appointed PricewaterhouseCoopers to fill the casual vacancy. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution proposing their appointment and authorising the directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the board

**KH Green**
*Secretary*
15 February 1999

The Stables
Hexton Manor
Hertfordshire
SG5 3JH

## Statement of directors' responsibilities

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

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

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

# Auditors' report to the members of Excellence Limited
*(formerly Excellence PLC)*

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention, and the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report including, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of apparent misstatements or material inconsistencies with the financial statements.

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 27 September 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

***PricewaterhouseCoopers***
*Chartered Accountants and*
*Registered Auditors*
*Nottingham*

15 February 1999

# Profit and loss account

***For the period ended 27 September 1998***

| | Note | **9 months ended 27 September 1998 £** | Period ended 4 January 1998 £ |
|---|---|---|---|
| **Turnover** | 1 & 2 | **4,002,885** | 6,557,183 |
| Cost of sales | | **(3,210,355)** | (5,208,122) |
| **Gross profit** | | **792,530** | 1,349,061 |
| Administrative expenses – normal | | **(776,635)** | (1,108,382) |
| – exceptional | 3 | **300,000** | - |
| Interest receivable and similar income | 6 | **44,594** | 881 |
| Interest payable and similar charges | 7 | **(46,649)** | (59,456) |
| **Profit on ordinary activities before taxation** | 2 & 3 | **313,840** | 182,104 |
| Tax on profit on ordinary activities | 8 | **-** | (12,250) |
| **Retained profit for the period** | 18 | **313,840** | 169,854 |

All of the company's activities are classified as continuing.

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

The above results are stated on an historical cost basis.

# Balance Sheet
*At 27 September 1998*

| | Note | 27 September 1998 £ | £ | 4 January 1998 £ | £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 9 | **197,419** | | 206,290 | |
| Tangible assets | 10 | **351,837** | | 305,171 | |
| Investments | 11 | **43,370** | | 43,370 | |
| | | | **592,626** | | 554,831 |
| **Current assets** | | | | | |
| Stocks | 12 | **13,655** | | 19,501 | |
| Debtors | 13 | **1,535,226** | | 1,174,352 | |
| Cash at bank and in hand | | - | | 39,603 | |
| | | **1,548,881** | | 1,233,456 | |
| **Creditors:** amounts falling due within one year | 14 | **(1,238,983)** | | (891,246) | |
| **Net current assets** | | | **309,898** | | 342,210 |
| **Total assets less current liabilities** | | | **902,524** | | 897,041 |
| **Creditors:** amounts falling due after one year | 15 | | **(130,398)** | | (146,255) |
| **Net assets** | | | **772,126** | | 750,786 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | **827,468** | | 786,968 |
| Profit and loss account | 18 | | **(55,342)** | | (369,182) |
| Deep discounted bond | 19 | | - | | 333,000 |
| **Shareholders' funds (including non-equity)** | | | **772,126** | | 750,786 |

The financial statements were approved by the board of directors on 15 February 1999 and were signed on its behalf by:

**PW Cooper**
*Managing Director*

# Reconciliation of movements in shareholders' funds
***For the period ended 27 September 1998***

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| Opening shareholders' funds | **750,786** | 547,932 |
| Profit for the financial period | **313,840** | 169,854 |
| Call of partly unpaid shares | **40,500** | - |
| Transfer of redemption interest on deep discounted bond | **11,400** | 33,000 |
| On waiving of deep discounted bond | **(344,400)** | - |
| **Closing shareholders' funds** | **772,126** | 750,786 |
| Analysed between: | | |
| Equity funds | **772,126** | 417,786 |
| Non equity funds | **-** | 333,000 |
| | **772,126** | 750,786 |

# Notes to the financial statements

## 1. Accounting policies

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

***Basis of preparation***

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

The company is exempt from preparing group accounts under section 228 of the Companies Act 1985.

The company is exempt from the requirements of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Jordec Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

***Goodwill***

Goodwill arising on acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets required) is capitalised and amortised over 20 years, that being its estimated useful life in the opinion of the directors.

***Tangible fixed assets and depreciation***

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

| | |
|---|---|
| Motor vehicles | 25% straight line basis |
| Plant and machinery | 20-33% straight line basis |
| Fixtures and fittings | 20% straight line basis |

***Foreign exchange***

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date which are denominated in foreign currencies are translated into sterling at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

***Taxation***

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

***Turnover***

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

***Stocks***

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

# Notes to the financial statements *(continued)*

## 1. Accounting policies (Continued)

***Investments***

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for a permanent diminution in value. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

***Pensions***

There is no company pension scheme but the company contributes to the personal schemes of certain employees. Such costs are charged to the profit and loss account over the periods which benefit from the employees' services.

***Leases***

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

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

## 2. Segmental analysis

Turnover, profit before tax and capital employed arise from the activities of contract cleaning and facilities management. The company operates in the United Kingdom where all its turnover originates.

# Notes to the financial statements *(continued)*

## 3. Profit on ordinary activities before taxation

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging/(crediting)*** | | |
| Auditors' remuneration including expenses: | | |
| Audit fees | **5,755** | 8,100 |
| Other services | **5,309** | 5,732 |
| Depreciation on tangible fixed assets: | | |
| Owned | **47,479** | 67,172 |
| Hire purchase and finance leases | **20,789** | 45,852 |
| Amortisation of goodwill | **8,871** | 12,292 |
| Hire of plant and machinery: | | |
| Rentals payable under operating leases | **97,613** | 92,680 |
| Exceptional item – on waiving of deep discounted bond | **(300,000)** | - |

## 4. Remuneration of Directors

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| Directors emoluments | **104,808** | 146,150 |

No directors received pension benefits from the company in either period.

## 5. Staff numbers and costs

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

| | 9 months ended 27 September 1998 Number | Period ended 4 January 1998 Number |
|---|---|---|
| Directors | **3** | 3 |
| Administration | **26** | 25 |
| Operatives | **627** | 1,111 |
| | **656** | 1,139 |

# Notes to the financial statements *(continued)*

## 5. Staff numbers and costs (Continued)

The aggregate payroll costs of these persons were as follows:

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| Wages and salaries | 2,980,314 | 4,674,304 |
| Social security costs | 195,026 | 305,790 |
| Pension costs | 2,737 | 588 |
| | 3,178,077 | 4,980,682 |

## 6. Interest receivable and similar income

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| On waiving of deep discounted bond | 44,400 | - |
| Bank deposit interest | 178 | 881 |
| Other interest | 16 | - |
| | 44,594 | 881 |

## 7. Interest payable and similar charges

| | 9 months ended 27 September 1998 £ | Period ended 4 January 1998 £ |
|---|---|---|
| On bank overdrafts and other loans wholly repayable within 5 years | 1,122 | 1,402 |
| On all other loans | 18,166 | 24,654 |
| On finance leases and hire purchase contracts | 15,961 | 400 |
| Finance charge on deep discounted bond | 11,400 | 33,000 |
| | 46,649 | 59,456 |

# Notes to the financial statements *(continued)*

## 8. Tax on profit on ordinary activities

The tax charge for the period represents:

| | **9 months ended 27 September 1998 £** | Period ended 4 January 1998 £ |
|---|---|---|
| Corporation tax at 21% *(period ended 4 January 1998: 25%)* | - | - |
| Irrecoverable ACT | - | 12,250 |
| | - | 12,250 |

There is no current period tax due to the availability of brought forward losses. Tax losses carried forward at 27 September 1998 amounted to £55,763 *(4 January 1998: £55,763)*.

## 9. Intangible fixed assets

| | **Goodwill £** |
|---|---|
| ***Cost*** | |
| At beginning and end of period | **242,791** |
| ***Amortisation*** | |
| At beginning of period | **36,501** |
| Charged in period | **8,871** |
| At end of period | **45,372** |
| ***Net book amount*** | |
| **At 27 September 1998** | **197,419** |
| At 4 January 1998 | 206,290 |

# Notes to the financial statements *(continued)*

## 10. Tangible fixed assets

| | Motor vehicles £ | Fixtures and fittings £ | Plant and machinery £ | Total £ |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At beginning of period | **142,284** | **90,556** | **628,419** | **861,259** |
| Additions | **61,640** | **10,220** | **64,679** | **136,539** |
| Disposals | **(86,732)** | **-** | **(2,400)** | **(89,132)** |
| At end of period | **117,192** | **100,776** | **690,698** | **908,666** |
| ***Depreciation and Diminution in value*** | | | | |
| At beginning of period | **76,877** | **68,880** | **410,331** | **556,088** |
| Charge for period | **19,751** | **4,758** | **43,759** | **68,268** |
| Disposals | **(66,337)** | **-** | **(1,190)** | **(67,527)** |
| At end of period | **30,291** | **73,638** | **452,900** | **556,829** |
| ***Net book amount*** | | | | |
| **At 27 September 1998** | **86,901** | **27,138** | **237,798** | **351,837** |
| At 4 January 1998 | 65,407 | 21,676 | 218,088 | 305,171 |

Included in the total net book value of fixed assets is £216,248 *(4 January 1998: £221,417)* in respect of assets held under finance lease and hire purchase contracts. Depreciation for the period on such assets was £20,789 *(period ended 4 January 1998: £45,852).*

## 11. Fixed asset investments

| | Shares in subsidiary undertakings £ |
|---|---|
| ***Cost*** | |
| At beginning and end of period | **43,370** |

At 27 September 1998 the company's subsidiary undertakings were as follows:

Two Flags Aviation Services Limited (held directly)
Two Flags Connect Business Services Limited (held indirectly)

Each company is registered in England and provides support services to the travel industry. The investments held represent 100% of the issued ordinary share capital of each company.

# Notes to the financial statements *(continued)*

## 12. Stocks

| | 27 September 1998 £ | 4 January 1998 £ |
|---|---|---|
| Raw materials and consumables | **13,655** | 19,501 |

## 13. Debtors

| | 27 September 1998 £ | 4 January 1998 £ |
|---|---|---|
| Trade debtors | **591,419** | 969,986 |
| Prepayments and accrued income | **506,732** | 145,398 |
| Other debtors | **3,709** | 8,252 |
| Amounts due from groups companies | **432,559** | 50,716 |
| Corporation tax | **807** | - |
| | **1,535,226** | 1,174,352 |

## 14. Creditors: amounts falling due within one year

| | 27 September 1998 £ | 4 January 1998 £ |
|---|---|---|
| Bank overdraft | **36,084** | 126,757 |
| Obligations under finance lease and hire purchase contracts | **59,379** | 55,183 |
| Trade creditors | **296,972** | 184,119 |
| Other taxes and social security | **254,117** | 209,569 |
| Other creditors | **360,396** | 134,544 |
| Accruals and deferred income | **206,674** | 181,074 |
| Amounts due to group companies | **25,361** | - |
| | **1,238,983** | 891,246 |

Other creditors of £337,456 *(4 January 1998: £120,560)* are secured by a fixed charge over the debtors of the company.

# Notes to the financial statements *(continued)*

## 15. Creditors: amounts falling due in more than one year

| | **27 September 1998 £** | 4 January 1998 £ |
|---|---|---|
| Obligations under finance lease and hire purchase contracts | | |
| Due in one to five years | **130,398** | 146,255 |

## 16. Provisions for liabilities and charges

The full potential deferred tax asset calculated at 21% *(4 January 1998: 21%)* and the amount recognised are as follows:

| | **27 September 1998** | | 4 January 1998 | |
|---|---|---|---|---|
| | **Recognised £** | **Full potential £** | Recognised £ | Full potential £ |
| Accelerated capital allowances | - | **6,908** | - | 7,806 |
| *Other timing differences* | - | - | - | - |
| Losses | - | **11,710** | - | 11,710 |
| | - | **18,618** | - | 19,516 |

## 17. Called up share capital

| | **27 September 1998 £** | 4 January 1998 £ |
|---|---|---|
| ***Authorised*** | | |
| Ordinary shares of £1 each | **1,350,000** | 1,350,000 |
| ***Allotted, called up and fully paid*** | | |
| Ordinary shares of £1 each | **827,468** | 773,468 |
| ***Allotted, called up and 25p partly paid*** | | |
| 54,000 Ordinary shares | - | 13,500 |
| | **827,468** | 786,968 |

During the period the amounts outstanding on the partly paid shares were paid up in full.

# Notes to the financial statements *(continued)*

## 18. *Profit and loss account*

| | £ |
|---|---|
| As at 4 January 1998 | **(369,182)** |
| Profit for the period | **313,840** |
| As at 27 September 1998 | **(55,342)** |

## 19. Deep discounted bond

The deep discounted bond was issued in December 1996 at a discount of 62%. The bond and accrued interest were waived on 29 June 1998.

## 20. Contingent liabilities

The company has provided cross-guarantees in respect of bank overdrafts and other liabilities for fellow group companies. At 4 January 1998 the company had performance bonds totalling £44,532 in existence.

## 21. Commitments

i) Capital commitments at the end of the period for which no provision has been made totalled £nil *(4 January 1998: £nil)*

ii) Annual commitments under non-cancellable operating leases are as follows:-

| | **27 September 1998** | | 4 January 1998 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and Buildings | Other |
| | **£** | **£** | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | **-** | **8,448** | - | 8,216 |
| Within two to five years | **19,520** | **60,396** | 19,520 | 51,085 |
| Over five years | **-** | **-** | - | - |
| | **19,520** | **68,844** | 19,520 | 59,301 |

# Notes to the financial statements *(continued)*

## 22. Related party transactions

During the period prior to the acquisition by Jordec Group plc the company received management fees of £120,000 from Two Flags Aviation Services Limited, a wholly owned subsidary undertaking.

Since the acquisition, advantage has been taken of the exemption provided by Financial Reporting Standard No 8 ("Related Party Disclosures") in not disclosing transactions between group companies where there is a common ownership interest in excess of 90% and where such transactions are fully eliminated on consolidation.

## 23. Parent undertaking

The company's ultimate parent undertaking is Jordec Group plc, a company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of Jordec Group plc are available to the public and may be obtained from 14 Millbrook Road, Yate, Bristol, BS37 5JW. No other group financial statements include the results of the company.