

**ISS UK Limited**

**Directors' report and  
financial statements**

31 December 1997

Registered number 463951



## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report on the affairs of the company together with the accounts and auditors report for the year ended 31 December 1997.

### Principal activity

The principal activity of the company is that of a management company for the UK operating companies and a holding company for the UK, Eire and Portugal companies.

The principal activity of the operating companies is the supply of contract cleaning services, materials and equipment.

### Business review

The results for the year are considered to be satisfactory.

The result of the company for the year ended 31 December 1997 are set out on pages 5.

### Dividend and transfer to reserves

A dividend of £8,000,000 (1996: £500,000) was paid in the year. The (loss)/profit for the year retained in the company is (£2,481,000) (1996: £1,142,000 profit).

### Post balance sheet event

On 31 January 1998, ISS UK sold the trade and certain assets of ISS Darenas to Henkel Ecolab.

### Directors and directors' interests

The directors who served during the year are as shown below:

D Thomas (resigned 10 March 1997)

T Buitendijk (resigned 30 June 1997)

CR King-Farlow

W Schmidt

T Dilissen

K Mahoney (appointed 12 December 1997)

J Ahmed

No director had any beneficial interest in the share capital of the company or of its subsidiaries at any time during the year.

### Employees

The organisation and meeting structure, which continues to operate throughout the company down to individual profit centres, facilitates the free flow of information, company goals and financial performance. The company also produces two information publications for employees and staff. The policy of the company is to employ disabled persons on the same basis as other employees, with the provision that they are able to operate without risk to themselves or others within the conditions prevailing on individual sites. Training, career developments and promotion of a disabled person is identical to that of other employees so far as possible.

## Directors' Report *(continued)*

### Auditors

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

By order of the board



**J Ahmed**  
*Secretary*

44-50 Bath Road  
Hounslow  
Middlesex  
TU3 3EB

## **Statement of directors' responsibilities**

The directors of ISS UK are responsible for these financial statements for each financial year which are intended to give a true and fair view of the state of affairs of the group and of the profit or loss of the group 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.



Arlington Business Park  
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## **Auditors' report to the members of ISS UK Limited**

We have audited the financial statements on pages 5 to 15.

### *Respective responsibilities of directors and auditors*

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

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 affairs of the company as at 31 December 1997 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 14/5/98

**KPMG**

*Chartered Accountants*

*Registered Auditors*

## Profit and loss account

for the year ended 31 December 1997

	Note	1997 £000	1996 £000
<b>Turnover - continuing operations</b>		<b>2,167</b>	<b>1,696</b>
Cost of sales		(2,228)	(1,701)
		<hr/>	<hr/>
<b>Operating (loss) - continuing operations</b>		<b>(61)</b>	<b>(5)</b>
Income from shares in group undertakings		5,500	2,000
Interest receivable and similar income		218	193
Amounts written off investments	8	-	(300)
Interest payable and similar charges	5	(98)	(157)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>2-4</b>	<b>5,559</b>	<b>1,731</b>
Tax on profit on ordinary activities	6	(40)	(89)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>5,519</b>	<b>1,642</b>
Dividend paid		(8,000)	(500)
		<hr/>	<hr/>
<b>Retained (loss)/profit for the financial year</b>	<b>13</b>	<b>(2,481)</b>	<b>1,142</b>
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in note 13.

The company had no other recognised gains or losses other than the profit for the year shown above.

## Balance sheet

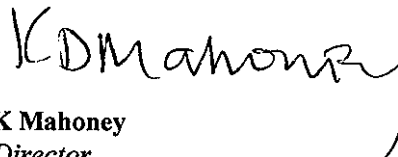
at 31 December 1997

	Note	1997 £000	1996 £000
<b>Fixed assets</b>			
Tangible fixed assets	7	2,631	2,712
Investments	8	23,069	23,069
		<u>25,700</u>	<u>25,781</u>
<b>Current assets</b>			
Debtors (see note below)	9	11,465	11,266
Cash at bank and in hand		4,818	6,568
		<u>16,283</u>	<u>17,834</u>
<b>Creditors: amounts falling due within one year</b>	10	(11,898)	(9,142)
<b>Net current assets (see note below)</b>		<u>4,385</u>	<u>8,692</u>
<b>Total assets less current liabilities</b>		<u>30,085</u>	<u>34,473</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(11,880)	(13,787)
<b>Net assets</b>		<u>18,205</u>	<u>20,686</u>
<b>Capital and reserves</b>			
Called up share capital	12	4,049	4,049
Profit and loss account	13	14,156	16,637
<b>Equity shareholders' funds</b>		<u>18,205</u>	<u>20,686</u>

Debtors and net current assets include debtors recoverable after more than one year of £10,320,000 (1996: £10,320,000).

A reconciliation of movements in shareholders' funds is given in note 14.

These financial statements were approved by the board of directors on 5 May 1998 and were signed on its behalf by:

  
**K Mahoney**  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The principal Group accounting policies, all of which have been applied consistently throughout the year and in the preceding year, are set out below.

#### ***Basis of preparation***

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

The company is exempt under S228(4) of the Companies Act 1985 from the obligation to prepare group financial statements. The company's results have been included within the consolidated financial statements of its parent undertaking ISS International Service System A/S.

It is also exempt from disclosures with respect to FRS8 "Related Party Disclosures" as the company is a wholly owned subsidiary of ISS International Service System A/S.

#### ***Fixed assets and depreciation***

Fixed assets are shown at historical cost.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over its estimated life as follows:

Freehold property	nil - 5%
Plant and machinery	between 10% and 50%

#### ***Investments***

Investments are stated at cost less provision for any permanent diminution in value.

#### ***Taxation***

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

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

#### ***Operating leases***

Rental charges paid in respect of operating leases are charged to the profit and loss account on a straight line basis over the life of the lease, even if the payments are not made on such a basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension costs*

a) The Group provides pensions to certain site-based operatives through the 'ISS Transferred Pension Scheme'. The Group operates this pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, by the trustees, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

b) The Group also provides pensions to certain monthly paid staff employees. These were provided through the ISS Group Pension Fund. As of 30 September 1997, this scheme ceased and was replaced by a defined contribution pension scheme, the 'Group Pension Plan'. The assets of the scheme are held separately from those of the group by the trustees. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

c) The Group also makes contributions to personal pension schemes in respect of certain employees.

#### *Turnover*

The company's turnover arises from a management fee received from UK operating companies and rents received on UK properties.

### 2 Profit on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	9	6
Depreciation and other amounts written		
off tangible fixed assets:		
Owned	163	122
<i>after crediting</i>		
Rent receivable from properties	(131)	(107)
	<u>          </u>	<u>          </u>

## **Notes** *(continued)*

### **3 Remuneration of directors**

Directors of the company received the following remuneration:

	1997 £000	1996 £000
Emoluments for services as directors	299	491
Company contributions to pension schemes	13	27
Payment for loss of office	30	-
	<hr/> 342	<hr/> 518
	<hr/> <hr/>	<hr/> <hr/>

The number of directors who are members of the group money purchase pension scheme are 2 (1996: £Nil).

The following are details of the highest paid directors remuneration:

	1997 £000	1996 £000
Total remuneration excluding pension contribution	147	287
Company contribution to the money purchase pension scheme	-	-
	<hr/> 147	<hr/> 287
	<hr/> <hr/>	<hr/> <hr/>

### **4 Staff numbers and costs**

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

	Number of employees	
	1997	1996
Management and administration	40	44
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	1,055	1,015
Social security costs	79	82
Other pension costs (see note 16)	56	58
	<hr/> 1,190	<hr/> 1,155
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 5 Interest payable and similar charges

	1997 £000	1996 £000
On bank loans, overdraft and other loans wholly repayable within five years	98	157
	<u>98</u>	<u>157</u>

### 6 Taxation

	1997 £000	1996 £000
UK corporation tax charge/(credit) at 31.5% (1996: 33%) on the profit for the year on ordinary activities	134	51
(Over)/under-provision in prior years	(94)	38
	<u>40</u>	<u>89</u>

The nature of the timing differences in existence at 31 December 1997 is such that an asset arises for the purposes of deferred taxation. On the grounds of prudence, this asset is not recognised in these accounts.

### 7 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At 1 January 1997	2,390	739	3,129
Additions	-	88	88
Disposals	-	(17)	(17)
	<u>2,390</u>	<u>810</u>	<u>3,200</u>
At 31 December 1997	2,390	810	3,200
<b>Depreciation</b>			
At 1 January 1997	49	368	417
Charged in year	13	150	163
On disposals	-	(11)	(11)
	<u>62</u>	<u>507</u>	<u>569</u>
At 31 December 1997	62	507	569
<b>Net book value</b>			
At 31 December 1997	2,328	303	2,631
At 31 December 1996	2,341	371	2,712

## Notes (continued)

### 8 Investments

	Shares in group undertakings £000
<i>Costs</i>	
At 1 January 1997	24,021
Additions	-
	<hr/>
<b>At 31 December 1997</b>	<b>24,021</b> <hr/> <hr/>
<i>Provision</i>	
At 1 January 1997	952
Write down (1996: £300k)	-
	<hr/>
<b>At 31 December 1997</b>	<b>952</b> <hr/> <hr/>
<i>Net book value</i>	
<b>At 31 December 1997</b>	<b>23,069</b> <hr/> <hr/>
	<hr/>
<b>At 31 December 1996</b>	<b>23,069</b> <hr/> <hr/>

Investments in group companies are shown at cost, with any permanent diminution in value reflected. The directors are of the opinion that the value of the investments is not less than the aggregate amount at which they are stated in the financial statements.

Details of the company's principal subsidiaries, all of which are wholly owned at 31 December 1997 were:

Name	Country of registration	Class of shares held	Principal activity
ISS Cleaning Services Limited	England and Wales	Ordinary	Contract cleaning
ISS Scotland Ltd	Scotland	Ordinary	Contract cleaning
ISS Servisystem Limited	England and Wales	Ordinary	Contract cleaning
ISS Mediclean Limited	England and Wales	Ordinary	Hospital cleaning
ISS Darenas Limited	England and Wales	Ordinary	Janitorial supply
ISS London Limited	England and Wales	Ordinary	Contract cleaning
ISS Food Hygiene Limited	England and Wales	Ordinary	Contract cleaning
ISS Transport Services Limited	England and Wales	Ordinary	Contract cleaning
ISS Servisystem - Servicos de Limpeza Lda	Portugal	Ordinary	Contract cleaning
ISS Ireland Limited	Ireland	Ordinary	Contract cleaning

**Notes (continued)**

**9 Debtors**

	1997 Due within one year £000	1997 Due after one year £000	1996 Due within one year £000	1996 Due after one year £000
Amounts owed by parent undertakings	-	-	582	-
Amounts owed by group undertakings	200	10,320	156	10,320
Other debtors	32	-	65	-
Advance corporation tax recoverable	913	-	143	-
	<u>1,145</u>	<u>10,320</u>	<u>946</u>	<u>10,320</u>

**10 Creditors: amounts falling due within one year**

	1997 £000	1996 £000
Bank loans and overdrafts	7,080	7,063
Payments received on account	1,069	910
Trade creditors	210	437
Amounts owed to group undertakings	2,733	138
Other creditors including taxation and social security:		
UK corporation tax	134	-
Other taxes and social security	51	90
Accruals and deferred income	621	504
	<u>11,898</u>	<u>9,142</u>

**11 Creditors: amounts falling due after more than one year**

	1997 £000	1996 £000
Amounts owed under finance leases and hire purchase contracts	11,880	11,880
Amounts owed to other group undertakings	-	1,907
	<u>11,880</u>	<u>13,787</u>

The amounts owed to group undertakings are unsecured, non-interest bearing and are repayable other than by instalments in more than five years.

**Notes** (continued)

**12 Called up share capital**

	1997 £000	1996 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	4,049	4,049
	<u>4,049</u>	<u>4,049</u>

**13 Reserves**

	Profit and loss account £000
At 1 January 1997	16,637
Retained loss for the year	(2,481)
	<u>14,156</u>
At 31 December 1997	<u>14,156</u>

**14 Reconciliation of movements in shareholders' funds**

	1997 £000	1996 £000
Opening shareholders' funds	20,686	19,544
Profit for the financial year	5,519	1,642
Dividend paid	(8,000)	(500)
	<u>18,205</u>	<u>20,686</u>
Closing shareholders' funds	<u>18,205</u>	<u>20,686</u>

**Notes** *(continued)*

**15 Commitments**

- (i) The capital commitments at 31 December 1997 were £Nil (1996:£Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £000	Land and buildings £000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	63	42
	<hr/> 63 <hr/>	<hr/> 42 <hr/>

- (iii) Along with other members of the ISS Group in the UK, the company participates in a cash pooling arrangement operated by the group's bankers in the UK.

**16 Pension scheme**

**ISS Transferred Pension Scheme (formerly ISS Cleaning Services Pension Fund)**

The company is part of the group ISS Transferred Pension Scheme providing benefits based on final pensionable pay, contributions being charged to the profit account as to spread the cost of pensions over the employees' working lives with the company. An initial valuation was carried out on 27 March 1994. The contributions are determined by a qualified actuary on the basis of triennial valuations using the project unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to rate of return on investments and rates of increase in salaries and pensions. It was assumed that investment returns would be 8.5% per annum, that growth would be 7.0% per annum and that pension increases would be 4.5% per annum.

**ISS Group Pension Fund (ceased 30 September 1997)**

This defined benefit pension plan ceased and was replaced by a defined contribution plan as described below. The fund met all the necessary criteria on closure and there are no outstanding commitments by the company in respect of funding for this scheme.

**ISS Group Pension Plan (started 1 October 1997)**

The company is part of the ISS Group Pension Plan. This is a defined contribution pension scheme with each member having their own personal pension fund.

The pension charge for the year was £56,000 (1996: £58,000).



**Notes** *(continued)*

**17 Ultimate parent company**

The company is a subsidiary undertaking of ISS International Service System A/S.

The largest and only group in which the results of ISS UK Limited are consolidated is ISS international Service System A/S, incorporated in Denmark, whose principal place of business is at Kongerejen 195 DK-2840 Holte, Copenhagen, Denmark.

The consolidated financial statements of this group are available to the public from the above address.