

ISS Europe Limited

Directors' report and financial statements

31 December 1995

Registered number 463951



ISS Europe Limited

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 1995.

Principal activity

The principal activity of the company continues to be that of a management company for the European Division of ISS International Service System A/S and a holding company for the UK and Portugal activities of that division.

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 results of the company for the year ended 31 December 1995 are set out on page 5.

Proposed dividend and transfer to reserves

The directors do not recommend a dividend. The profit for the year has been transferred to reserves.

Significant changes in fixed assets

Information relating to changes in tangible fixed assets is given in note 7.

Directors and directors' interests

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

P Andreassen	(resigned 4 December 1995)
L Friis	(resigned 4 December 1995)
CR King-Farlow	
W Schmidt	
O Damgaard-Nielsen	(resigned 4 December 1995)
P Schluter	(resigned 4 December 1995)
T Dilissen	(appointed 4 December 1995)
KJ Pepper	(appointed 4 December 1995)
J Ahmed	(appointed 4 December 1995)

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

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Directors' report

Employees

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.

Auditors

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

By order of the board



J Ahmed
Secretary

44-50 Bath Road
Hounslow
Middlesex
TW3 3EB

29 March, 1996

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Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of ISS Europe Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

29 March 1996

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Profit and loss account

for the year ended 31 December 1995

	<i>Note</i>	1995 £000	1994 £000
Turnover - continuing operations	1	2,462	1,805
Cost of sales		<u>(2,405)</u>	<u>(2,048)</u>
Operating profit/(loss) - continuing operations		57	(243)
Income from shares in group undertakings		1,700	1,700
Interest receivable and similar income		65	31
Amounts written off investments		(40)	-
Interest payable and similar charges	5	<u>(257)</u>	<u>(109)</u>
Profit on ordinary activities before taxation	2-4	1,525	1,379
Tax on profit on ordinary activities	6	<u>-</u>	<u>53</u>
Profit for the financial year	13	<u>1,525</u>	<u>1,432</u>

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.

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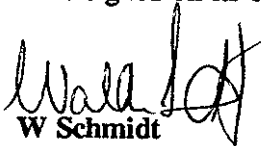
Balance sheet at 31 December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		2,602		2,761
Investments	8		26,261		20,969
			<u>28,863</u>		<u>23,730</u>
Current assets					
Debtors (see note below)	9	10,186		10,798	
Cash at bank and in hand		1,843		719	
		<u>12,029</u>		<u>11,517</u>	
Creditors: amounts falling due within one year	10	(2,833)		(2,185)	
Net current assets (see note below)			<u>9,196</u>		<u>9,332</u>
Total assets less current liabilities			<u>38,059</u>		<u>33,062</u>
Creditors: amounts falling due after more than one year	11		(15,323)		(11,916)
Net assets			<u>22,736</u>		<u>21,146</u>
Capital and reserves					
Called up share capital	12		4,049		4,049
Profit and loss account	13		18,687		17,097
Equity shareholders' funds			<u>22,736</u>		<u>21,146</u>

Debtors and net current assets include debtors recoverable after more than one year of £10,019k (1994: £10,019k).

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

These financial statements were approved by the board of directors on 29 March 1996 and were signed on its behalf by:


W Schmidt
Director

ISS Europe Limited

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 with the preceding year, are set out below.

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 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.

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 each asset on a straight line basis over its estimated useful life as follows:

Freehold property	-	nil - 5%
Leasehold land and buildings	-	between 5 and 50%
Plant and machinery	-	between 20% and 33%.

Investments

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

The accounting policy applied in the valuation of investments in group companies has been changed. Previously investments in group companies were stated at net asset value. They are now carried at cost, which the directors believe is more appropriate. This represents a change of accounting policy in the current period and a prior year adjustment has been made.

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.

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Notes (continued)

1 Accounting policies (continued)

Leases

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.

Pension costs

The company makes contributions to personal pension schemes.

Further information on pension costs is provided in note 17.

Turnover

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

Cash flow statement

A consolidated cash flow statement is included within the accounts of ISS International Service System A/S. No cash flow statement is presented for the company in accordance with the exemption set out in Financial Reporting Standard 1.

2 Profit on ordinary activities before taxation

	1995	1994
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	6	7
Other services	-	23
Depreciation and other amounts written off tangible fixed assets:		
Owned	131	114
<i>after crediting</i>		
Rent receivable from properties	(119)	(78)

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Notes (continued)

3 Remuneration of directors

	1995 £000	1994 £000
Directors' emoluments:		
As directors	287	307
Amounts paid to third parties in respect of directors' services	-	2
Benefit in kind	6	-
Pension	2	-
	<u>295</u>	<u>309</u>

The emoluments, excluding pension contributions, of the chairman were £10k (1994:£10K) and those of the highest paid director were £248k (1994:£267k).

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

	Number of directors	
	1995	1994
£0 - £ 5,000	-	1
£ 5,001 - £10,000	3	4
£10,001 - £15,000	2	-
£225,001 - £230,000	-	-
£245,001 - £250,000	1	-
£260,001 - £265,000	-	1

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	
	1995	1994
Management and administration	9	10
Operatives	-	1
	<u>9</u>	<u>11</u>

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	1,215	837
Social security costs	71	83
Other pension costs (see note 17)	45	35
	<u>1,331</u>	<u>955</u>

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Notes (continued)

5 Interest payable and similar charges

	1995 £000	1994 £000
On bank loans, overdrafts and other loans wholly repayable within five years	257	109

6 Taxation

	1995 £000	1994 £000
UK corporation tax charge/(credit) at 33 % (1994:33%) on the profit for the year on ordinary activities	-	(53)

The nature of the timing differences in existence at 31 December 1995 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
Cost			
At 1 January 1995	2,390	621	3,011
Additions	-	8	8
Disposals	-	(69)	(69)
At 31 December 1995	2,390	560	2,950
Depreciation			
At 1 January 1995	23	227	250
Charge for year	13	118	131
On disposals	-	(33)	(33)
At 31 December 1995	36	312	348
Net book value			
At 31 December 1995	2,354	248	2,602
At 31 December 1994	2,367	394	2,761

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Notes (continued)

8 Investments

	Shares in group undertakings £000
Shares	
<i>Costs</i>	
At 1 January 1995	20,969
Additions	5,267
Adjustment	65
	<hr/>
Provision	26,301
	<hr/>
Write down 1995 (1994: £nil)	(40)
	<hr/>
Net book value	
At 31 December 1995	26,261
	<hr/>
At 31 December 1994	20,969
	<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 subsidiaries, all of which are wholly owned at 31 December 1995 were:

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Notes (continued)

8 Investments (continued)

Name	Country of registration	Class of shares held	Principal activity
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 UK Limited	England and Wales	Ordinary	Administration services
ISS Airport Services Limited	England and Wales	Ordinary	Airport cleaning
ISS Servisystem - Servicos de Limpeza Lda	Portugal	Ordinary	Contract cleaning
ISS Ireland Limited	Ireland	Ordinary	Contract cleaning
ISS Securisystem Limited	England and Wales	Ordinary	Non-trading
ISS Care UK Limited	England and Wales	Ordinary	Non-trading
Commercial Cleaning Services Limited	England and Wales	Ordinary	Non-trading
ISS Cleaning Services Limited	England and Wales	Ordinary	Non-trading
Mediserv Limited	England and Wales	Ordinary	Non-trading
ISS International Service System Limited	England and Wales	Ordinary	Non-trading
Northern Maintenance plc	Scotland	Ordinary	Contract cleaning
Al Community Care Cumbria Ltd	England and Wales	Ordinary	Community care

9 Debtors

	1995		1994	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Amounts owed by parent undertaking	-	-	478	-
Amounts owed by subsidiary undertakings	135	10,019	67	10,019
Other debtors	31	-	53	-
UK corporation tax receivable	1	-	181	-
	<u>167</u>	<u>10,019</u>	<u>779</u>	<u>10,019</u>

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Notes (continued)

10 Creditors: amounts falling due within one year

	1995 £000	1994 £000
Bank loans and overdrafts	2,190	1,842
Trade creditors	17	-
Amounts owed to subsidiary undertakings	153	130
Other creditors including taxation and social security:		
Other taxes and social security	10	34
Accruals and deferred income	463	179
	<u>2,833</u>	<u>2,185</u>

11 Creditors: amounts falling due after more than one year

	1995 £000	1994 £000
Amounts owed to subsidiary undertakings	11,916	11,916
Amounts owed to other group undertakings	3,407	-
	<u>15,323</u>	<u>11,916</u>

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

The amounts owed to other group undertakings are unsecured, interest bearing and repayable no later than 30 March 1998.

12 Called up share capital

	1995 £000	1994 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>4,049</u>	<u>4,049</u>

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Notes (continued)

13 Reserves

	Profit and loss £000
At 1 January 1995	17,097
Prior year adjustment	65
	<hr/>
	17,162
Retained profit for the year	1,525
	<hr/>
	18,687
	<hr/>

As explained in note 1, a prior year adjustment has been made to the accounts. The effect of changing the accounting policy in the valuation of investments in group companies is a credit to reserves of £10,318k in 1994 and £65k in 1995.

14 Reconciliation of movements in shareholders' funds

	1995 £000	1994 £000
Opening shareholders' funds		
- as previously stated	21,146	9,396
- prior year adjustments (see note 1)	65	10,318
	<hr/>	<hr/>
- as restated	21,211	19,714
Profit for the financial year	1,525	1,432
	<hr/>	<hr/>
Closing shareholders' funds	22,736	21,146
	<hr/>	<hr/>

15 Contingent liabilities

The company has undertaken to provide financial support to ISS UK Limited, to enable it to meet its liabilities as and when they fall due.

16 Commitments

There were no capital or non-cancellable operating lease commitments at 31 December 1995 (1994: £nil).

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Notes *(continued)*

17 Pension costs

The company makes contributions to personal pension schemes. The pension costs charge for the year was £45K (1994: £35K).

18 Ultimate parent company

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

This is the largest and only group in which the results of ISS Europe Limited are incorporated. ISS International Service System A/S's principal place of business is at Kongevejen 195, DK-2840 Holte, Copenhagen, Denmark. The consolidated accounts of this group are available to the public from the above address.