

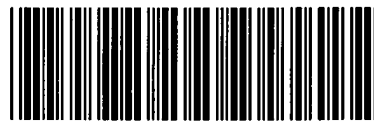
**International Military Services Limited**

**(Registered Number: 924462)**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**

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COMPANIES HOUSE

# **International Military Services Limited**

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**Client Name:** International Military Services Limited

**COMPANY INFORMATION**

**Year Ended:** 31 December 2017

**Company registration number:** 924462

**Directors:** Sir Roger Jackling (Chairman)

A R Malpas

D G Jones

C T Sandars

**Secretary:** A R Malpas

**Registered Office:** Room 205  
31 Southampton Row  
London  
WC1B 5HJ

**Auditor:** Price Bailey LLP

**Solicitor:** Clifford Chance LLP

**Banker:** Natwest Bank Plc

**International Military Services Limited**  
**Directors' Report for the year ended 31 December 2017**

**Strategic review and principal activities**

The Company ceased trading on 17 February 2010 but is still awaiting the resolution of outstanding contractual matters that remain subject to ongoing negotiations.

On 2 May 2001, an award of damages plus interest was made against the Company in connection with a contractual dispute with the Government of Iran. The Company reached agreement with the Government of Iran, through a formal Consent Order, that payment of the Award would not be pursued until the outcome of the appeals process was known provided that a sum sufficient to meet the Award by way of security was paid into the UK High Court - this payment was made in December 2002.

In December 2006, the Dutch Appeal Court set aside a relatively small part of the 2001 award. The Company was dissatisfied with the size of the reduction and as a consequence submitted a further appeal to the Dutch Supreme Court in April 2008. This appeal was rejected, as was a counter appeal by the Iranian authorities, on 24 April 2009.

In accordance with the Financial Reporting Standard FRS102 "Provisions and Contingent Liabilities", the Directors have included in the attached financial statements a provision sufficient to meet the sums due under the Supreme Court ruling. Company funds will be sufficient to meet the legal and other costs associated with any further litigation.

The Directors do not believe that there are any risks and uncertainties facing the Company, other than those disclosed above.

In January 2005 a Dutch Supreme Court decision was made in favour of the Company in respect of a disputed construction contract also with the Government of Iran. Action is in hand to recover the sums due under this decision.

A number of additional issues, primarily the settlement of smaller claims not subject to judicial process, need to be resolved before final settlement, which itself is subject to sanctions imposed on Iran. Negotiations have taken place with the Iranian authorities since July 2010, to seek an overall settlement, and to resolve all outstanding matters, the latest taking place in December 2017. The Company has so far failed to reach an overall settlement. The Government of Iran applied for an enforcement order in the UK High Court in 2012 which has been deferred several times by Iran. This is currently scheduled to be heard in January 2019. It remains the company's intent to achieve a negotiated settlement.

Once all these issues have been resolved, the intention is to liquidate the Company. Full provision for the costs directly associated with the Company's final closure is reflected in the attached financial statements, which are no longer prepared on a going concern basis.

**Results and Dividends**

Details of the Company's results are set out in the attached financial statements. The results after taxation for the year was a loss of £262,000 (2016: £420,000).

The state of affairs of the Company is set out in the attached balance sheet and related notes, showing capital and reserves of £22,010,000 (2016: £22,272,000). No dividends have been paid or are expected to be paid for the year 2017. (2016: nil).

**International Military Services Limited**  
**Directors' Report for the year ended 31 December 2017 (continued)**

**Directors**

The directors during the year and up to the date of signing the financial statements were as follows:

Sir Roger Jackling                      (Chairman)  
Mr A R Malpas  
Mr D G Jones  
Mr C T Sandars.

In accordance with the Company's Articles all the directors retire from office at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

None of the directors has any beneficial interest, other than in the ordinary course of business, in any contract to which the Company was party during the year.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms so far as they are aware that:

- (1) there is no relevant audit information of which the Company's auditors are unaware; and
- (2) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**International Military Services Limited**  
**Directors' Report for the year ended 31 December 2017 (continued)**

**Independent Auditors**

Price Bailey LLP have expressed their willingness to be re-appointed as auditors and a resolution for their re-appointment will be proposed at the Annual General Meeting.

This report has been prepared taking advantage of the small companies' exemption of Section 415A of the Companies Act 2006.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'AR Malpas', with a long horizontal line extending to the right.

AR Malpas

23 May 2018

**Secretary**

Registered Office:  
Room 205  
31 Southampton Row  
London  
WC1B 5HJ

# **International Military Services Limited**

## **Independent Auditor's Report to the Shareholders of International Military Services Limited**

### **Opinion**

We have audited the financial statements of International Military Services Limited (the 'company') for the year ended 31 December 2017, set out on pages 7-14. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the directors have taken a decision to liquidate the company once its remaining contractual commitments are completed which impacts upon the company's ability to continue as a going concern. As stated in note 1, the directors have not prepared the financial statements on a going concern basis and have provided for one-off closure costs, and professional fees in winding up the company. Our opinion is not modified in respect of this manner.

# **International Military Services Limited**

## **Independent Auditor's Report to the Shareholders of International Military Services Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.



**Independent Auditor's Report to the Shareholders of International Military Services Limited**

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

Jitendra Shah FCA (Senior Statutory Auditor)  
For and on behalf of  
**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

24 Old Bond Street  
London  
W1S 4AP

Date: 30 May 2018

# International Military Services Limited

## Statement of income and retained earnings for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Turnover		-	-
<b>Gross result</b>		<u>-</u>	<u>-</u>
Administrative expenses		(453)	(720)
<b>Operating loss</b>		<u>(453)</u>	<u>(720)</u>
Interest receivable and similar income		220	359
<b>Loss on ordinary activities before taxation</b>	3	<u>(233)</u>	<u>(361)</u>
<b>Tax on loss on ordinary activities</b>	6	(29)	(59)
<b>Loss for the financial year</b>		<u>(262)</u>	<u>(420)</u>
Retained earnings at the beginning of the year		2,272	2,692
Loss for the year		(262)	(420)
Retained earnings at the end of the year		<u>2,010</u> =====	<u>2,272</u> =====

All losses are derived from discontinued operations.

The notes on pages 9 to 14 form part of these financial statements.


# International Military Services Limited

## Company balance sheet as at 31 December 2017 (Registered Number: 924462)

	Note	2017 £'000	2016 £'000
<b>Current assets</b>			
Debtors	7	501,875	501,346
Investments	8	22,085	22,730
		<hr/>	<hr/>
		523,960	524,076
<b>Creditors - amounts falling due within one year</b>	9	(95)	(452)
		<hr/>	<hr/>
<b>Net current assets</b>		523,865	523,624
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		523,865	523,624
<b>Provisions for liabilities</b>	11	(501,855)	(501,352)
		<hr/>	<hr/>
<b>Net assets</b>		22,010	22,272
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	20,000	20,000
Profit and loss account		2,010	2,272
		<hr/>	<hr/>
<b>Total Shareholders' funds</b>		22,010	22,272
		<hr/>	<hr/>

These accounts have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the provisions of FRS102 Section 1A – Small entities.

The financial statements on pages 7 to 14 were approved and authorised for issue by the board on 23 May 2018 and signed on its behalf by:

  
A R Malpas  
Director

The notes on pages 9 to 14 form part of these financial statements.

# **International Military Services Limited**

## **Notes to the financial statements for the year ended 31 December 2017**

### **1 Accounting policies**

International Military Services Limited is a private company limited by shares incorporated under number 924462 in England and Wales within the United Kingdom. The address of the registered office and place of business is Room 205, 31 Southampton Row, London, WC1B 5HJ

The financial statements are presented in pound sterling which is the functional currency of the company rounded to the nearest £000.

The principal accounting policies adopted by the Company are as follows:

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the small entity provisions under FRS102 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006.

The financial statements have not been prepared on a going concern basis as the decision has been taken to liquidate the Company once its remaining contractual commitments have been completed. Provisions have been made for one-off closure costs, and professional fees in winding up the Company (See note 11). Provision has not been made for future operating costs as these will be met out of Company resources.

The principal accounting policies which have been applied consistently throughout the year are set out below.

#### **Administrative expenses**

"Administrative expenses" represent all indirect overheads, including corporate management, accounting, legal, secretarial and office services functions and the cost of premises.

#### **Interest receivable and similar income**

This includes interest receivable and similar income and exchange gains and losses. These are recognised in the period in which they accrue.

#### **Taxation**

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

**Notes to the financial statements for the year ended 31 December 2017  
(continued)**

**Leases**

Rentals under operating leases are charged to the profit and loss account as incurred over the lease term.

**Provision for liabilities / Other debtors**

The provision balance relating to amounts owed to the Government of Iran result from an award of damages arising out of a contractual dispute. The movement year on year relates to additional annual interest charged in accordance with the Final Award by the Dutch Supreme Court. The liability will be settled from sums held in the Court Funds Office on behalf of the Company, which are sufficient for this purpose and to discharge any liabilities to the shareholder. This sum is shown in other debtors in the financial statements.

**2 Liabilities and provisions relating to contracts with the Government of Iran**

On 2 May 2001, an award of damages plus interest was made against the Company in connection with a contractual dispute with the Government of Iran. The Company reached agreement with the Government of Iran, through a formal Consent Order, that payment of the Award would not be pursued until the outcome of the appeals process is known provided that a sum sufficient to meet the Award by way of security was paid into the UK High Court. This payment was made in December 2002.

In December 2006, the Dutch Appeal Court set aside a relatively small part of the 2001 award. The Company was dissatisfied with the size of the reduction and as a consequence submitted an appeal to the Dutch Supreme Court in April 2008. This appeal was rejected on 24 April 2009.

In accordance with the Financial Reporting Standard FRS102 "Provisions and Contingent Liabilities", the directors have included in the attached financial statements a provision which more than covers the sum awarded by the Dutch Supreme Court (see note 11). This provision includes interest calculated up to 31 December 2017.

The Company is in negotiation with the Iranian authorities with a view to achieving an overall settlement.

Company funds will be sufficient to meet the legal and other costs associated with any further litigation.

Future costs in connection with the dispute will be met out of the Company's resources. Funds remaining in Court after settlement of the Award will be returned to the shareholder and sub-contractor.

# International Military Services Limited

## Notes to financial statements for the year ended 31 December 2017 (continued)

### 3 Loss on ordinary activities before taxation

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation is stated after charging:		
Wages and salaries	88	82
Social security costs	4	3
	<hr/>	<hr/>
	92	85
	<hr/>	<hr/>
Operating lease rentals - other	50	49
	<hr/>	<hr/>
Fees paid to auditors comprise:		
Audit fees	9	9
Fees payable for other services - Tax compliance	2	2
	<hr/>	<hr/>

### 4 Directors emoluments

The emoluments of the directors were as follows:

	2017 £'000	2016 £'000
Fees as directors	23	23
Emoluments for management services	36	32
	<hr/>	<hr/>
Aggregate emoluments	59	55
	<hr/>	<hr/>
Highest paid Director	36	35
	<hr/>	<hr/>

### 5 Employees

During the year ended 31 December 2017 the Company had an average of 5 employees including directors (2016: 5).

### 6 Tax on loss on ordinary activities

	2017 £'000	2016 £'000
Corporation tax on the loss for the year:		
<b>Current Tax</b>		
UK corporation tax on loss for the year at 19.25% (2016: 20%)	(29)	(59)
	<hr/>	<hr/>
Total current tax	(29)	(59)
	<hr/>	<hr/>
Tax on loss on ordinary activities	(29)	(59)
	<hr/>	<hr/>

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**6 Tax on loss on ordinary activities (continued)**

The tax for the period is higher (2016: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
(Loss)/Profit on ordinary activities before tax	(233)	(361)
Expenses post cessation of trading not deductible for tax purposes	384	654
	<hr/>	<hr/>
	151	293
	<hr/>	<hr/>
Tax at standard rate of corporation tax in the UK of 19.25% (2016:20%)	(29)	(59)
	<hr/>	<hr/>
Current tax (charge) for the year	(29)	(59)
	<hr/>	<hr/>

**7 Debtors**

	<b>31 December</b> <b>2017</b> <b>£'000</b>	<b>31 December</b> <b>2016</b> <b>£'000</b>
Other debtors	501,825	501,322
Prepayments and accrued income	50	24
	<hr/>	<hr/>
	501,875	501,346
	<hr/>	<hr/>

Other debtors comprise primarily amounts paid into the UK High Court as a security deposit against the company's potential liabilities in relation to the disputed contracts (see note 2) and interest thereon. The security deposit and interest accrued thereon will be used in settlement of the company's liability (see note 11) and surplus funds returned to the shareholder who substantially provided the security deposit.

**8 Investments**

	<b>31 December</b> <b>2017</b> <b>£'000</b>	<b>31 December</b> <b>2016</b> <b>£'000</b>
Short term deposits and liquid investments with banks	22,085	22,730
	<hr/>	<hr/>
	22,085	22,730
	<hr/>	<hr/>

No listed securities were held at 31 December 2017 and 31 December 2016.

**International Military Services Limited**

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**9 Creditors - amounts falling due within one year**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Taxation and Social Security	32	63
Accruals and deferred income	63	389
	<u>95</u>	<u>452</u>

**10 Operating lease commitments**

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

**Land and Buildings**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Not later than one year	53	50
Later than one year and not later than five years	4	-
	<u>57</u>	<u>50</u>

**11 Provisions for liabilities**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Provisions relating to contracts	501,825	501,322
Provision for closure costs	30	30
	<u>501,855</u>	<u>501,352</u>

Information relating to the major contract provisions is given in note 2 and note 7. The timing of settlement will depend upon the finalisation of an overall settlement with the Government of Iran. The provision includes interest earned on the security deposit as shown in note 7, the surplus ultimately being repayable to the shareholder.

**Movements on contract provisions:**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Provisions brought forward	500,322	500,391
Additional provision relating to interest earned (note 2)	503	931
Provisions carried forward	<u>501,825</u>	<u>501,322</u>

The additional provision relating to interest accrued represents the sum credited to the security deposit held by the UK High Court at note 7.



# International Military Services Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 12 Called up share capital

	31 December 2017 £'000	31 December 2016 £'000
Authorised, allotted and fully paid: Ordinary shares of £1 each	20,000	20,000

### 13 Ownership of share capital

The share capital is beneficially owned by the Secretary of State for Defence.

### 14 Related Party Transactions

The only related party is the UK Ministry of Defence (UK MOD) being the Company's shareholder. There were no transactions with the UK MOD.