

INSPECTORATE OF THE SECURITY INDUSTRY
(Limited by Guarantee)
(Company number 1639039)
REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1999



INSPECTORATE OF THE SECURITY INDUSTRY

(a company limited by guarantee)

Chairman of the Board
Sir Michael Bett CBE MA

Inspector General
I W Sanderson BSc (Hons) FIQA

Secretary
G W Cross

Registered Office
Security House, Barbourne Road, Worcester WR1 1RS

REPORT AND FINANCIAL STATEMENTS

for the year ended

31st DECEMBER 1999

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INSPECTORATE OF THE SECURITY INDUSTRY
ANNUAL GENERAL MEETING

Notice is hereby given that the seventeenth Annual General Meeting of the Company will be held at The New Cavendish Club, 44 Great Cumberland Place, London W1H 8BS on Wednesday, 5 July 2000 at 10.30am.

NOTICE AND AGENDA

1. To receive and consider the financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 1999.

2. Changes in Directorate

- (a) Under Article 37(b) of the Articles of Association, to re-elect the following Members of the Board who have been appointed since the previous Annual General Meeting:-

Mr D Cowden, Mr E Dutfield, Mr A Glendinning, Mr A O'Neill and
Mr M Schuck.

- (b) Under Articles 42 & 43, to re-elect the following Members of the Board who retire by rotation:-

Sir Michael Bett, Mr D S Fletcher, Mr C P Mounsey, Mr J A Smith and
Mr D Stopford.

* 3. Auditors

Fullard Duffill & Co., having notified that they will not be seeking re-appointment, to resolve that BKR Haines Watts be appointed as auditors of the Company in their place, to hold office until the conclusion of the next General Meeting at which Accounts are laid before the Company and that their remuneration be fixed by the Directors.

(* Ordinary Resolution requiring Special Notice)

BY ORDER OF THE BOARD



DAVID L LUPTON
Company Secretary

06 June 2000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the seventeenth Annual General Meeting of the
Inspectorate of the Security Industry
will be held at the New Cavendish Club, Great Cumberland Place, London, on 6th June,
2000, at 10.30 am.

for the following purposes:

1. To receive and consider the financial statements and the reports of the directors and of the auditors for the year ended 31st December 1999.
2. To re-appoint Fullard Duffill & Co as Auditors.
3. To authorise the Board to fix the remuneration of the Auditors.
4. To transact any other business of an Annual General Meeting.

By Order of the Board



G W Cross
Secretary

24th February, 2000

INSPECTORATE OF THE SECURITY INDUSTRY

CHAIRMAN'S PREFACE

1999 has been one of mixed fortunes for the Inspectorate, however, I believe we finish the year in a much stronger position than when we started.

In January we received notification that we would not be able to renew our lease, in May, in the Roman Way Business Centre. This was despite previous assurances when the 1999 Budget was being prepared. Therefore, there was no provision in the Budget for the cost of the subsequent move and these costs are now shown as an exceptional item in the final accounts.

In March, the Government published its long awaited White Paper on proposals to regulate the security industry. The work of the Inspectorate with its voluntary certification schemes was complimented, although the main theme was licensing of individuals within the industry. The White Paper did include proposal for maintaining and improving standards within the industry and did not exclude the possible recognition of existing certification schemes operating to the appropriate standards. The Inspectorate has been encouraged by this approach and has provided a comprehensive response welcoming the possibility of co-operating with the Private Security Industry Authority, when it is formed.

In light of the Government's comments and the identified trend for end users to require security that integrates the use of security personnel with electronic technology, discussions with the National Approval Council for Security Systems (NACOSS) were pursued. They also recognised that the increasing demand for a 'one-stop-shop' approach could be better addressed through mutual co-operation that would assist clients in their quest to specify quality companies. Both organisations believe that a 'one-stop-shop' approach would also help position the security industry in harmony with the Government's plans for regulation.

In October, following considerable discussion, NACOSS and ISI announced their decision to merge the two organisations. A steering committee was formed to effect the merger and I was pleased to accept the position as Chairman of the combined organisations.

So, as we start 2000, we can look forward to the challenges and opportunities that this merger will bring, both to ourselves and to the industry. I believe the combined strength and expertise of these two organisations will have a significant effect on improving standards in the industry and promoting recognition of those companies that meet these standards.

Sir Michael Bett CBE MA
Chairman of the Inspectorate of the Security Industry

February 2000

INSPECTORATE OF THE SECURITY INDUSTRY
ANNUAL REPORT OF THE INSPECTOR GENERAL

An extremely busy year that has seen increased demand for ISI certification that, unfortunately, is not reflected in the figures in the Report and the Financial Statements. This is due mainly to the number of acquisitions taking place in the manned guarding sector.

Throughout the year, 44 Initial or Transfer Inspections were conducted, yet the final figures only show an increase of 14 Inspected and 3 Enrolled Companies. In part, this is due to the fact that companies are going through the progressive route of starting with Enrolled, transferring to Inspected, and eventually implementing quality systems to obtain the Quality Assessed Companies registration. Thus, as new companies become registered with the Inspected Scheme, so existing ones move on to the Quality Assessed Scheme. Overall, it is re-assuring to see that this route designed to encourage improvements in standards is being adopted by companies of all sizes.

Unfortunately, the final figures for the Quality Assessed companies do not reflect the growth that has taken place within this Scheme. Various acquisitions have kept the overall number of companies in this Scheme to about the same level throughout the year. In one notable merger, seven registrations became combined into one certificate. The long term effect of such acquisitions and mergers has been the gradual reduction in the number of additional branch registrations, as the rationalisation process takes place.

Overall statistics for the number of companies in the security services sector, and the number of employees is difficult to establish. The ISI conducts an annual survey of its registered companies and the results at 1999 year-end indicate these companies have a total of about 88,000 employees. Based on estimates of the total number of employees in the industry, this shows that between five-eighths to three-quarters of employees are with ISI registered companies. So whilst the number of companies in the industry may be reducing, the companies that remain are getting larger. This trend has occurred in other sectors, particularly in the service sectors, and is an aspect that we will monitor with interest.

We believe the publication of the Government's White Paper on proposals for regulation of the private security industry has helped to promote awareness of ISI's voluntary certification schemes. Various end-users and specifiers have requested additional information subsequent to learning about the ISI from the White Paper. More importantly, more security companies are asking for details of our Schemes and the Standards involved. There is now a realisation that the Government does intend to introduce some form of regulation for guarding companies and that certification through the ISI should assist in meeting these requirements. We look forward to learning more about these proposals through the forth-coming year.

I.W.Sanderson BSc. (Hons), FIQA
Inspector General

February 2000

INSPECTORATE OF THE SECURITY INDUSTRY
(limited by guarantee)

REPORT OF THE BOARD

The Board of Management presents its eighteenth Report and audited Financial Statements for the year ended 31st December 1999.

Constitution and activities

The Inspectorate was specifically established to provide 'industry-specific' certification schemes to the manned security services sector of the security industry. The certification available includes the Quality Assessed Companies Scheme that involves assessment of a company's quality management system to ISO 9000 and incorporates the requirements of the relevant British Standards or Codes of Practice for the service being provided. The Inspected Companies Scheme is for companies that can demonstrate compliance with the requirements of the appropriate 'industry-specific' British Standards or other recognised Codes of Practice. The Enrolled Companies Scheme has been established specifically for manned guarding companies only and enables them to demonstrate their operational and professional competence when, because of their early stages of development, they cannot meet all the BS 7499 requirements. A Register of Manned Security Companies is published annually and maintained to provide details of companies and their relevant certification. This information is also available on the ISI web-site at www.isi.org.uk.

Review of the business

The number of Registered Companies was as follows:

	Quality Assessed	Inspected	Enrolled
Individual Companies:	58 (57)	68 (54)	17 (14)
No. of additional branches	300 (287)	39 (62)	0 (0)

(31st December 1998 figures in brackets)

There were 38 applications for registration pending at the end of the year.

Financial result for the period

The financial result of the Inspectorate's operations for 1999 is shown in the income and expenditure account on page 8.

INSPECTORATE OF THE SECURITY INDUSTRY

REPORT OF THE BOARD (cont)

Members of the Board of Management

Appointments to the Board are in accordance with UKAS guidelines for Certification Bodies.

CHAIRMAN

Sir MICHAEL BETT, CBE, MA

REGISTERED COMPANIES

M.C. RACKSTRAW
S.J. PHILLIPS
D. S. PRITCHARD
D. G. COWDEN

Burns In. Sec. Serv. (UK) Ltd
Centuryan Security Limited
Resolution Security Limited
Securicor Limited

CUSTOMERS

M. SCHUCK
S. R. A. CRAWSHAW, QPM
Brig. J. ALMONDS BSC, CEng, FIEE, FMgt

British Retailers Consortium
British Bankers' Association
British Telecommunications plc

ASSOCIATIONS

D. STOPFORD
D.S. FLETCHER
C.P. MOUNSEY
E.DUTFIELD

BSIA Chairman
BSIA Chief Executive
Association of British Insurers
IPSA

INDEPENDENTS

J.A. SMITH
LORD PETER IMBERT, QPM, JP,DL

Prudential Assurance
Security Consultant

OBSERVERS

K POVEY, QPM, BA (Law)
Colonel J COCHRANE OBE
Ass. Ch. Con. A LAKE
I. GOSWELL

Her Majesty's Inspectorate of Constabulary
Ministry of Defence
Association of Chief Police Officers
Home Office

DIRECTORS

The present directors, who have no personal interest in the income of the company, are:-

Sir Michael Bett CBE MA
D Stopford

(Served throughout the year)
(Served throughout the year)

INSPECTORATE OF THE SECURITY INDUSTRY

REPORT OF THE BOARD (cont)

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 surplus or deficit 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;
- prepare the financial statements on a 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 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.

Inspectorate

The Inspector General is responsible for monitoring companies on the Register and carrying out detailed inspections of applicants for registration. A review of his activities during the year is given in a separate report.

Auditors

Fullard Duffill & Co have indicated their willingness to continue as auditors of the company and, in accordance with the provisions of Section 384 (1) of the Companies Act 1985, resolutions to reappoint them and fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Small Company Disclosures

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



G W Cross
Secretary

24th February 2000

AUDITORS' REPORT TO THE MEMBERS OF
INSPECTORATE OF THE SECURITY INDUSTRY
(Limited by Guarantee)

We have audited the financial statements on pages 8 to 12 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of the directors and auditors

As described in the Directors' Report 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 affairs of the company as at 31st December 1999 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.



Fullard Duffell & Co
Registered Auditors
Chartered Accountants

5 Holt Studios
49 Birmingham Road
Bromsgrove
Worcestershire B61 0DR

Date: 25th February 2000

INSPECTORATE OF THE SECURITY INDUSTRY
(limited by guarantee)
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£	£
Income	3	401,790	382,559
Operating Expenses	4	<u>399,670</u>	<u>373,011</u>
		2,120	9,548
Interest receivable on bank deposits		<u>619</u>	<u>1,303</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>2,739</u>	<u>10,851</u>
Taxation	6	1,327	2,553
SURPLUS CARRIED TO ACCUMULATED FUND		<u>1,412</u>	<u>8,298</u>
		=====	=====

None of the company's activities were acquired or discontinued during the above financial years.

The company has no recognised gains or losses other than those dealt with in the income and expenditure account.

STATEMENT OF ACCUMULATED FUND

	<u>1999</u>	<u>1998</u>
	£	£
Balance B/Fwd	18,182	9,884
Surplus for the year	<u>1,412</u>	<u>8,298</u>
BALANCE PER BALANCE SHEET	<u>19,594</u>	<u>18,182</u>
	=====	=====

The notes on pages 10 to 12 form part of these financial statements.

INSPECTORATE OF THE SECURITY INDUSTRY
(limited by guarantee)
BALANCE SHEET AT 31ST DECEMBER 1999

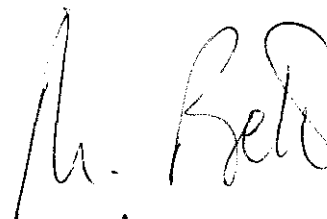
	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£	£
<u>ASSETSEMPLOYED</u>			
CURRENT ASSETS			
Debtors	7	67,924	51,021
Cash at Bank		<u>219</u>	<u>23,951</u>
		68,143	74,972
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	8	<u>48,549</u>	<u>56,790</u>
NET CURRENT ASSETS		19,594	18,182
NET ASSETS		<u>19,594</u>	<u>18,182</u>
Represented by :			
ACCUMULATED FUND		<u>19,594</u>	<u>18,182</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 24th February 2000 and signed on its behalf by:-



Directors



The notes on pages 10 to 12 form part of these financial statements.

INSPECTORATE OF THE SECURITY INDUSTRY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999

1. ACCOUNTING POLICIES

- (a) The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) Taxation is calculated on the result for the year as shown in the financial statements.
- (c) Rentals applicable to operating leases are charged to the Profit and loss account as incurred.

2. LIABILITY OF MEMBERS

The Inspectorate is a company limited by guarantee not having a share capital. The liability of each member to contribute to a deficiency in the event of the Inspectorate being wound up is limited to one pound.

3. INCOME

The number of registered companies as at 31st December 1999 was 143 (1998 125).

	<u>1999</u> £	<u>1998</u> £
Quality Assessed Companies scheme		
Application fees	13,512	11,110
Assessment fees	59,512	43,400
Surveillance fees	90,850	103,320
Registration and Certification	<u>92,438</u>	<u>86,940</u>
	<u>256,312</u>	<u>244,770</u>
 Inspected companies scheme		
Registration fees	109,868	102,909
Application fees	12,405	6,020
Re-inspection fees	<u>8,250</u>	<u>3,960</u>
	<u>130,523</u>	<u>112,889</u>
 Enrolled/Small Companies scheme	<u>6,905</u>	<u>13,350</u>
 Pre-inspection Fees	<u>8,050</u>	<u>11,550</u>
 <u>Total Turnover</u>	<u>401,790</u> =====	<u>382,559</u> =====

INSPECTORATE OF THE SECURITY INDUSTRY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999

4. <u>OPERATING EXPENSES</u>	<u>1999</u>	<u>1998</u>
These comprise:	£	£
Inspectorate -		
Employment	196,869	191,509
Other	<u>76,457</u>	<u>66,422</u>
	<u>273,326</u>	<u>257,931</u>
Secretarial and Administration -		
Management Fee	25,920	26,524
Communications	18,413	11,730
Other	<u>32,348</u>	<u>43,401</u>
	<u>76,681</u>	<u>81,655</u>
Publicity	<u>49,663</u>	<u>33,425</u>
TOTAL	<u>399,670</u>	<u>373,011</u>

Inspectorate employment costs include social security costs of £18,027 (1998:£17,219).
The average number of persons employed during the year was 7 (1998 : 7).

5. OPERATING SURPLUS

The surplus stated is after charging:

Pension costs	13,922	13,079
Directors emoluments	10,000	10,000
Auditors remuneration	2,175	2,175
Lease of land & Buildings	<u>11,547</u>	<u>11,800</u>

6. TAXATION

Charge for United Kingdom corporation tax at 20.25% (1998 21%)	<u>1,327</u>	<u>2,553</u>
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7. DEBTORS

Trade debtors	59,966	42,798
Other debtors	<u>7,958</u>	<u>8,223</u>
	<u>67,924</u>	<u>51,021</u>

INSPECTORATE OF THE SECURITY INDUSTRY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999

	1999 £	1998 £
8. <u>CREDITORS</u>		
Amounts falling due within one year -		
H M Customs & Excise	5,848	3,550
Employee taxes and social security costs	5,924	5,482
Inland Revenue for Corporation tax	1,327	2,553
National Westminster Bank Plc	2,131	-
Trade creditors	26,166	25,320
Accruals	<u>7,153</u>	<u>19,885</u>
	48,549	56,790
	=====	=====

9. CAPITAL COMMITMENTS

Contracted but not provided in the financial statements	Nil	Nil
	=====	=====

10. FINANCIAL COMMITMENTS

At 31st December 1999, the company had annual commitments under non-cancellable operating leases, as set out below:-

	1999	1998
Land & Buildings terminating between six and ten years	11,800	-
	=====	=====

INSPECTORATE OF THE SECURITY INDUSTRY

SCHEDULE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999

	<u>1999</u> £	<u>1998</u> £
<u>EXPENDITURE DETAILS</u>		
Salaries	164,920	161,211
Pension costs	13,922	13,079
N.I. Contributions	<u>18,027</u>	<u>17,219</u>
Total employment costs	<u>196,869</u>	<u>191,509</u>
Inspectorate : Other expenses		
Sub-contract - inspections	25,811	15,135
- sales	-	(9)
Staff training	-	1,469
Travel	33,448	33,743
Subsistence	<u>17,198</u>	<u>16,084</u>
	<u>76,457</u>	<u>66,422</u>
Management Services - BSIA		
Administration, secretarial and accounting	<u>25,920</u>	<u>26,524</u>
Communications -		
Printing, stationery, postage and phones	<u>18,413</u>	<u>11,730</u>
Other (Administrative) -		
Insurance	3,580	5,955
Legal/ Auditors' remuneration	4,448	2,175
Rent, Rates and Service Charges	19,678	22,651
Interest payable	815	-
NACCB/ ISO9000 consultancy	<u>3,827</u>	<u>12,620</u>
	<u>32,348</u>	<u>43,401</u>
Publicity	<u>49,663</u>	<u>33,425</u>
<u>TOTAL</u>	<u>399,670</u>	<u>373,011</u>