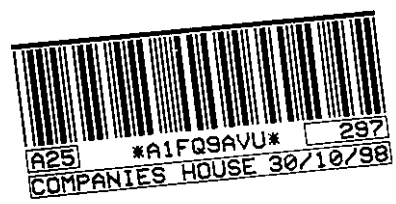


## **Imperial Cleaning Services Group Limited**

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

4 January 1998

Registered number 2273948



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

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## **Directors' report**

The directors present their annual report and the audited financial statements for the five month period ended 4 January 1998.

### **Principal activities**

The principal activity of the company is the provision of industrial cleaning services.

### **Business review**

The results for the period are set out on page 5 of the financial statements.

The company was acquired on 12 January 1998 by Executive Group Limited.

### **Proposed dividend**

The directors do not recommend the payment of a dividend.

### **Directors and directors' interests**

The directors who held office during the period were as follows:

PG McAlister (resigned 12 January 1998)

Mrs BD McAlister (resigned 12 January 1998)

Since the period end the following directors have been appointed:

JP Flanagan (appointed 12 January 1998)

GJ Lunt (appointed 12 January 1998)

The directors who held office at the end of the financial period had the following interests in the ordinary shares of the company according to the register of directors' interests:

	<b>Interest at end of period</b>	<b>Interest at start of period</b>
P G McAlister	620	620
Mrs B D McAlister	619	619

### **Political and charitable contributions**

The company made no political or charitable contributions during the year.

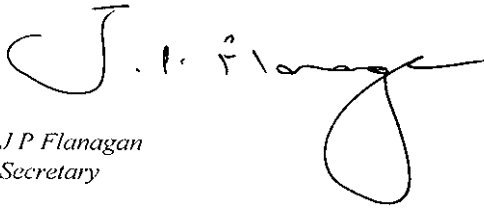
**Directors' report** *(continued)*

**Auditors**

Since the end of the previous year KPMG have been appointed as auditors.

In accordance with Section 384 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

A handwritten signature in black ink, appearing to read 'J. P. Flanagan', with a large, stylized loop at the end.

*J P Flanagan  
Secretary*

Prospect House  
25a Seymour Street  
Higher Tranmere  
Birkenhead  
Wirral  
L42 5LG

## **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.



8 Princes Parade  
Liverpool  
L3 1QH

## **Report of the auditors to the members of Imperial Cleaning Services Group Limited**

We have audited the financial statements on pages 5 to 17.

### **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 4 January 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

29 October 1998

*Chartered Accountants  
Registered Auditors*

## Profit and loss account

for the 5 month period ended 4 January 1998

		Period ended 4 January 1998	As restated Year ended 31 July 1997
		£	£
Turnover	2,3	3,124,471	7,812,395
Cost of sales		(2,573,925)	(6,161,561)
<b>Gross profit</b>		<b>550,546</b>	<b>1,650,834</b>
Administrative expenses		(627,428)	(1,546,369)
<b>Operating (loss)/profit</b>	3	<b>(76,882)</b>	<b>104,465</b>
Interest receivable and similar income		-	8
Interest payable and similar charges	6	(36,130)	(68,784)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(113,012)</b>	<b>35,689</b>
Tax on profit on ordinary activities	7	11,698	(82,689)
<b>Loss on ordinary activities after taxation</b>		<b>(101,314)</b>	<b>(47,000)</b>
Dividends on non-equity shares	8	-	(39,000)
<b>Retained loss for the period</b>	17	<b>(101,314)</b>	<b>(86,000)</b>

None of the company's activities were acquired or discontinued during the current and previous periods.

## Statement of total recognised gains and losses

for the year ended 5 January 1998

	Period ended 4 January 1998	As restated Year ended 31 July 1997
	£	£
<b>(Loss) for the financial year</b>	<b>(101,314)</b>	<b>(86,000)</b>
Prior year adjustment (see note 1)	(93,539)	
<b>Total gains and losses recognised since last annual report</b>	<b>(194,853)</b>	

**Balance sheet**  
*at 4 January 1998*

	Note	4 January 1998		As restated 31 July 1997	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		534,974		555,474
Tangible assets	10		355,338		389,674
Investments	11		100		2,200
			<hr/>		<hr/>
			890,412		947,348
<b>Current assets</b>					
Stocks	12	30,386		59,026	
Debtors	13	1,032,717		1,203,763	
Cash at bank and in hand		-		25	
		<hr/>		<hr/>	
		1,063,103		1,262,814	
<b>Creditors: amounts falling due within one year</b>	14	(1,488,053)		(1,414,102)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(424,950)		(151,288)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			465,462		796,060
<b>Creditors: amounts falling due after more than one year</b>	15		(8,179)		(237,463)
			<hr/>		<hr/>
<b>Net assets</b>			457,283		558,597
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16	4,400		4,400	
Share premium account	17	462,800		462,800	
Revaluation reserve	17	21,562		21,562	
Profit and loss account	17	(31,479)		69,835	
		<hr/>		<hr/>	
<b>Shareholders' funds</b>	18	457,283		558,597	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 28 October 1998 and were signed on its behalf by:



J P Flanagan  
Director

## Cash flow statement

for the 5 month period ended 4 January 1998

	Note	Period ended 4 January 1998	As restated Year ended 31 July 1997
		£	£
<b>Reconciliation of operating (loss)/profit to net cashflow from operating activities</b>			
Operating (loss)/profit		(76,882)	104,465
Depreciation charges and other write offs		53,941	126,363
(Profit)/loss on sale of fixed assets		6,284	8,629
Decrease/(increase) in stocks		28,640	(4,794)
Decrease/(increase) in debtors		166,171	(267,844)
(Decrease)/increase in creditors		(349,340)	433,948
		<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities		(171,186)	400,767
		<hr/>	<hr/>

## Cashflow statement

Cashflow from operating activities		(171,186)	400,767
Returns on investments and servicing of finance	22	(36,130)	(68,776)
Taxation		(17,838)	(45,511)
Capital expenditure and financial investment	22	(3,289)	(54,575)
Equity dividends paid		(19,500)	(39,000)
		<hr/>	<hr/>
Cash (outflow)/inflow before financing		(247,943)	192,905
Financing	22	(39,824)	(108,599)
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(287,767)	84,306
		<hr/>	<hr/>

## Reconciliation of net cash flow to movement in net debt

	23		
(Decrease)/increase in cash in the period		(287,767)	84,306
Cash to repay loans		39,824	108,599
		<hr/>	<hr/>
Change in net debt resulting from cash flows		(247,943)	192,905
Net debt at the start of the period		(547,300)	(740,205)
		<hr/>	<hr/>
Net debt at the end of the period		(795,243)	(547,300)
		<hr/>	<hr/>

## **Notes**

*(forming part of 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, modified to include the revaluation of land and buildings.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### ***Restatement of prior year figures***

The comparative figures for the prior period have been restated to reflect an under provision for salary costs of £68,306 in the previous year and also to reflect the change in accounting policy to reflect provision for holiday pay. This change in policy was made as in the opinion of the directors it more fairly represents the position at the period end.

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

Depreciation is provided 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:

Freehold property	-	50 years
Plant and machinery	-	25% on reducing balance
Fixtures, fittings, tools and equipment	-	15% on reducing balance
Motor vehicles	-	25% on reducing balance

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Post-retirement benefits***

The company operated a defined benefit pension scheme until 31 July 1997 when this terminated and an employees group personal pension scheme was introduced. Contributions payable for the year are charged in the profit and loss account. A final actuarial valuation following the cessation of the scheme is currently being undertaken and no provisions for further costs has been made in the financial statements.

The company operates a money purchase contribution scheme for the directors.

## **Notes (continued)**

### **1 Accounting policies**

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used.

#### ***Taxation***

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 it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

#### ***Turnover***

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

### **2 Turnover**

The turnover and profit before taxation are attributable to the one principal activity of the company.

### **3 Profit on ordinary activities before taxation**

	<b>5 months ended</b>	Year ended
	<b>4 January</b>	31 July
	<b>1998</b>	1997
	<b>£</b>	<b>£</b>
<b><i>Profit on ordinary activities before taxation is stated</i></b>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	9,000	10,000
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	25,667	58,978
Leased	5,674	19,974
Goodwill amortised	20,500	47,411
Loss on sale of fixed assets	6,284	8,629
	<hr/>	<hr/>

**Notes** *(continued)*

**4 Remuneration of directors**

	<b>5 months ended</b> <b>4 January</b> <b>1998</b> <b>£</b>	<b>Year ended</b> <b>31 July</b> <b>1997</b> <b>£</b>
Directors' emoluments	32,311	72,217
Directors pension contributions to money purchase schemes	4,156	3,325
	<u>          </u>	<u>          </u>

The number of directors to whom retirement benefits were accruing was as follows:

	<b>5 months ended</b> <b>4 January</b> <b>1998</b>	<b>Year ended</b> <b>31 July</b> <b>1997</b>
Money purchase schemes	2	2
	<u>          </u>	<u>          </u>

**5 Staff numbers and costs**

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

	<b>5 months ended</b> <b>4 January</b> <b>1998</b>	<b>Number of employees</b> <b>Year ended</b> <b>31 July</b> <b>1997</b>
	1,743	2,618
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	<b>5 months ended</b> <b>4 January</b> <b>1998</b> <b>£</b>	<b>As restated</b> <b>Year ended</b> <b>31 July</b> <b>1997</b> <b>£</b>
Wages and salaries	2,460,011	5,994,210
Social security costs	100,590	189,656
Other pension costs	10,088	36,701
	<u>          </u>	<u>          </u>
	2,570,689	6,220,567
	<u>          </u>	<u>          </u>

**Notes (continued)**

**6 Interest payable and similar charges**

	5 months ended 4 January 1998 £	Year ended 31 July 1997 £
On bank loans and overdrafts	31,388	55,149
Finance charges in respect of finance leases and hire purchase contracts	4,742	13,635
	<u>36,130</u>	<u>68,784</u>

**7 Taxation**

	5 months ended 4 January 1998 £	As restated Year ended 31 July 1997 £
UK corporation tax at 21% (1997: 23 %)	-	26,323
Adjustment relating to an earlier year	(11,698)	56,366
	<u>(11,698)</u>	<u>82,689</u>

**8 Dividends and other appropriations**

	5 months ended 4 January 1998 £	Year ended 31 July 1997 £
Participating dividends on non-equity shares:		
Interim dividend paid	-	19,500
Final dividend proposed	-	19,500
	<u>-</u>	<u>39,000</u>

## Notes (continued)

### 9 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning and end of period	714,911
<i>Amortisation</i>	
At beginning of period	159,437
Charged in year	20,500
<b>At end of period</b>	<b>179,937</b>
<i>Net book value</i>	
At 4 January 1998	534,974
At 31 July 1997	555,474

### 10 Tangible fixed assets

	Freehold Property	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£	£	£	£	£
<i>Cost or valuation</i>					
At beginning of period	97,026	378,974	64,689	144,072	684,761
Additions	-	7,439	850	-	8,289
Disposals	-	-	-	(22,482)	(22,482)
<b>At end of period</b>	<b>97,026</b>	<b>386,413</b>	<b>65,539</b>	<b>121,590</b>	<b>670,568</b>
<i>Depreciation</i>					
At beginning of period	7,759	202,430	24,109	60,789	295,087
Charge for period	835	19,383	3,284	7,839	31,341
On disposals	-	-	-	(11,198)	(11,198)
<b>At end of period</b>	<b>8,594</b>	<b>221,813</b>	<b>27,393</b>	<b>57,430</b>	<b>315,230</b>
<i>Net book value</i>					
At 4 January 1998	88,432	164,600	38,146	64,160	355,338
At 31 July 1997	89,267	176,544	40,580	82,283	389,674

**Notes (continued)**

**10 Tangible fixed assets (continued)**

Included in the total net book value of motor vehicles is £47,090 (1997 :£68,560) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £5,674 (1997 :£19,974).

**11 Fixed asset investments**

	4 January 1998
<i>Shares in group undertakings</i>	
At beginning of period	2,200
Written off in period	(2,100)
	<hr/>
At end of period	100
	<hr/>

The company's investment at the balance sheet date represented 100% of the ordinary share capital of Imperial Industrial Services Limited, which is a dormant company. During the period I.C.S (Merseyside) Limited, I.C.S (Manchester) Limited and I.C.S (Yorkshire) Limited were dissolved.

**12 Stocks**

	4 January 1998 £	As restated 31 July 1997 £
Raw materials and consumables	30,386	59,026
	<hr/>	<hr/>

**13 Debtors**

	4 January 1998 £	31 July 1997 £
Trade debtors	874,195	1,125,364
Prepayments and accrued income	147,400	59,436
Directors loan	11,122	14,088
ACT recoverable	-	4,875
	<hr/>	<hr/>
	1,032,717	1,203,763
	<hr/>	<hr/>

**Notes (continued)**

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

	<b>4 January 1998 £</b>	<b>As restated 31 July 1997 £</b>
Bank loans and overdrafts	768,329	278,357
Obligations under finance leases and hire purchase contracts	18,735	31,505
Trade creditors	244,083	453,187
Amounts owed to group undertakings	100	200
Corporation tax	35,788	70,199
Social security & other taxation	265,841	418,519
Accruals and deferred income	155,177	142,635
Dividend proposed	-	19,500
	<u>1,488,053</u>	<u>1,414,102</u>

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

	<b>4 January 1998 £</b>	<b>31 July 1997 £</b>
Bank loans	-	226,978
Obligations under finance leases and hire purchase contracts	8,179	10,485
	<u>8,179</u>	<u>237,463</u>

Bank borrowings are secured by an unlimited debenture in the Bank's standard form and by a first legal charge over the company's freehold premises at 25A Seymour Street, Higher Tranmere, Birkenhead.

**Notes (continued)**

**16 Called up share capital**

	4 January 1998 £	31 July 1997 £
<i>Authorised</i>		
Equity: Ordinary shares of £ 1 each	49,000	49,000
Non-equity: Ordinary preferred shares of £1 each	1,000	1,000
	<hr/> 50,000	<hr/> 50,000
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £ 1 each	3,400	3,400
Non-equity: Ordinary preferred shares of £1 each	1,000	1,000
	<hr/> 4,400	<hr/> 4,400

**17 Share premium and reserves**

	Share premium account £	Revaluation reserve £	Profit and loss account £
At beginning of period	462,800	21,562	163,374
Prior year adjustment	-	-	(93,539)
	<hr/>	<hr/>	<hr/>
Adjusted bought forward	-	-	69,835
Loss for the period	-	-	(101,314)
	<hr/>	<hr/>	<hr/>
At end of period	<hr/> 462,800	<hr/> 21,562	<hr/> (31,479)

**18 Reconciliation of movement in shareholders' funds**

	4 January 1998 £	31 July 1997 £
Loss for the period	(101,314)	(47,000)
Dividends	-	(39,000)
	<hr/>	<hr/>
Net reduction in shareholders funds	(101,314)	(86,000)
Opening shareholders' funds (originally £652,136 restated for prior year adjustment of £93,539)	558,597	644,597
	<hr/>	<hr/>
Closing shareholders' funds	<hr/> 457,283	<hr/> 558,597

**Notes (continued)**

**19 Contingent liabilities**

The company has guaranteed performance bonds amounting to £15,000 in respect of certain contracts.

**20 Commitments**

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

	<b>4 January 1998</b>		<b>31 July 1997</b>	
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within one year	-	<b>28,218</b>	-	-
In the second to fifth years inclusive	-	<b>65,676</b>	-	152,792
Over five years	<b>6,500</b>	-	6,500	-
	<u><b>6,500</b></u>	<u><b>93,894</b></u>	<u>6,500</u>	<u>152,792</u>
	<u><u><b>6,500</b></u></u>	<u><u><b>93,894</b></u></u>	<u><u>6,500</u></u>	<u><u>152,792</u></u>

**21 Transaction with directors**

During the period the directors of the company were granted a short term loan on which no interest was charged. The maximum, balance outstanding was £14,088 due from Mr PG McAlister and Mrs B D McAlister. This balance has been repaid since the period end.

## Notes (continued)

### 22 Analysis of cash flows

	Period ended 4 January 1998		Year ended 31 July 1997	
	£	£	£	£
<b>Returns on investment and servicing of finance</b>				
Interest received	-		8	
Interest paid	(36,130)		(68,784)	
		(36,130)		(68,776)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(8,289)		(81,860)	
Purchase of intangible fixed assets	-		(6,000)	
Sale of plant and machinery	5,000		33,285	
		(3,289)		(54,575)
<b>Financing</b>				
Loan repayments		(39,824)		(108,599)

### 23 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	25	(25)	-	-
Overdrafts	(212,758)	(287,742)	-	(500,500)
	(212,733)	(287,767)	-	(500,500)
Debt due after one year	(237,463)	-	229,284	(8,179)
Debt due within one year	(97,104)	39,824	(229,284)	(286,564)
<b>Total</b>	<b>(547,300)</b>	<b>(247,943)</b>	<b>-</b>	<b>(795,243)</b>

### 24 Post balance sheet events

Since the year end the share capital of the company has been acquired by Executive Group Limited.