

## **Imperial Cleaning Services Group Limited**

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

3 January 1999

Registered number 2273948



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

### **Contents**

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Imperial Cleaning Services Group Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes	7

## **Directors' report**

The directors present their annual report and the audited financial statements for the period ended 3 January 1999.

### **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.

On 3 January 1999 the assets, liabilities and undertakings of the company were transferred to Executive Group Limited. These accounts reflect the company's position after the transfer of all balances to the holding company.

### **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:

JP Flanagan

GJ Lunt

The directors who held office at the end of the financial period had no interests in the ordinary shares of the company according to the register of directors' interests. The directors' interests in the shares of the holding company are disclosed in that company's accounts.

### **Employees**

#### *Disabled Employees*

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### *Employee consultation*

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

### **Political and charitable contributions**

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

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

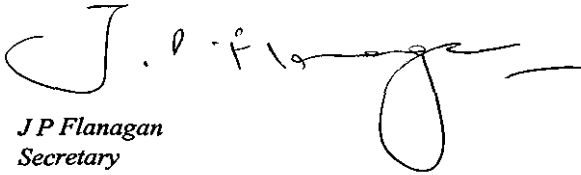
### **Year 2000**

Many computer systems including several used by the company, could experience problems processing information beyond the year 1999. As a result, certain computer systems, including both hardware and software, need to be modified prior to the year 2000 in order to remain functional. The company has been making ongoing investments in its IT and operations infrastructure and has considered the year 2000 problems in doing so. Most existing systems and processes appear to be millennium compliant and a programme is in place to modify the remaining systems and processes. The company believes that the year 2000 issue will not pose significant operational problems for the company. There can be no assurance, however, that there will not be a delay in, or increased costs associated with, any year 2000 issues with a consequent effect on company business. The company has not quantified the cost of becoming year 2000 compliant.

### **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



*J P Flanagan*  
Secretary

372 Wandsworth Road  
London  
SW8 4TE

## **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.



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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 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 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 3 January 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

11 May 1999

*Chartered Accountants  
Registered Auditors*

**Profit and loss account**  
*for the period ended 3 January 1999*

		Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
<b>Turnover</b>	2,3	6,778,963	3,124,471
Cost of sales		(5,429,871)	(2,573,925)
<b>Gross profit</b>		1,349,092	550,546
Administrative expenses		(1,385,663)	(627,428)
<b>Operating loss</b>	3	(36,571)	(76,882)
Interest receivable and similar income		-	-
Interest payable and similar charges	6	(4,505)	(36,130)
<b>Loss on ordinary activities before taxation</b>		(41,076)	(113,012)
Tax on (loss) on ordinary activities	7	50,993	11,698
<b>Retained profit/(loss) for the period</b>	16	9,917	(101,314)

The profit and loss account relates entirely to continuing operations.

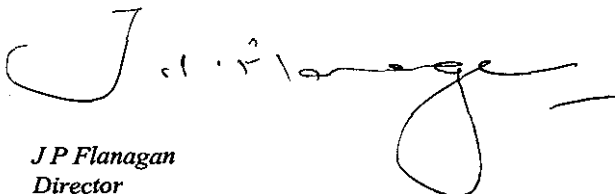
**Statement of total recognised gains and losses**  
*for the period ended 3 January 1999*

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
<b>Profit/(loss) for the period</b>	9,917	(101,314)
Prior period adjustment	-	(93,539)
<b>Total losses recognised since last annual report</b>	9,917	(194,853)

**Balance sheet**  
*at 3 January 1999*

	Note	3 January 1999	4 January 1998
		£	£
<b>Fixed assets</b>			
Intangible assets	8	-	534,974
Tangible assets	9	-	355,338
Investments	10	-	100
		-----	-----
		-	890,412
<b>Current assets</b>			
Stocks	11	-	30,386
Debtors	12	467,200	1,032,717
Cash at bank and in hand		-	-
		-----	-----
		467,200	1,063,103
<b>Creditors: amounts falling due within one year</b>	13	-	(1,488,053)
		-----	-----
<b>Net current liabilities</b>		467,200	(424,950)
		-----	-----
<b>Total assets less current liabilities</b>		467,200	465,462
		-----	-----
<b>Creditors: amounts falling due after more than one year</b>	14	-	(8,179)
		-----	-----
<b>Net assets</b>		467,200	457,283
		=====	=====
<b>Capital and reserves</b>			
Called up share capital	15	4,400	4,400
Share premium account	16	462,800	462,800
Revaluation reserve	16	-	21,562
Profit and loss account	16	-	(31,479)
		-----	-----
<b>Shareholders' funds</b>	17	467,200	457,283
		=====	=====

These financial statements were approved by the board of directors on 22 April 1999 and were signed on its behalf by:



*J P Flanagan*  
Director



## **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.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that the parent undertaking includes the company in its own published consolidated financial statements.

#### ***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% straight line basis (previously reducing balance)
Fixtures, fittings, tools and equipment	-	20% straight line basis (previously reducing balance)
Motor vehicles	-	25% reducing balance basis

#### ***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 group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable by the company to the scheme in respect of the accounting period.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value.

#### ***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.

## Notes (continued)

### 1 Accounting policies

#### *Turnover*

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

### 2 Analysis of turnover and profit/(loss) on ordinary activities before taxation

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

### 3 Profit/(loss) on ordinary activities before taxation

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	9,000	9,000
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	64,486	25,667
Leased	3,489	5,674
Goodwill amortised	35,745	20,500
Loss on sale of fixed assets	6,271	6,284
	<hr/>	<hr/>

**Notes (continued)**

**4 Remuneration of directors**

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
Directors' emoluments	-	32,311
Directors pension contributions to money purchase schemes	-	4,156
	<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:

	Number of employees	
	Period ended 3 January 1999	5 month period ended 4 January 1998
Management and administration	60	58
Cleaning services	1,744	1,685
	<u>          </u>	<u>          </u>
	1,804	1,743
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
Wages and salaries	5,310,569	2,460,011
Social security costs	201,973	100,590
Other pension costs	6,552	10,088
	<u>          </u>	<u>          </u>
	5,519,094	2,570,689
	<u>          </u>	<u>          </u>

**Notes (continued)**

**6 Interest payable and similar charges**

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
On bank loans and overdrafts	-	31,388
Finance charges in respect of finance leases and hire purchase contracts	4,505	4,742
	<u>4,505</u>	<u>36,130</u>

**7 Taxation**

	Period ended 3 January 1999 £	5 month period ended 4 January 1998 £
Payment received for group relief	(39,488)	-
Adjustment relating to an earlier year	(11,505)	(11,698)
	<u>(50,993)</u>	<u>(11,698)</u>

Notes (continued)

8 Intangible fixed assets

<b>Goodwill</b>	<b>£</b>
<i>Cost</i>	
At beginning of period	714,911
Transferred to Executive Group Limited	(714,911)
<b>At end of period</b>	-
<i>Amortisation</i>	
At beginning of period	179,937
Charged in period	35,745
Transferred to Executive Group Limited	(215,682)
<b>At end of period</b>	-
<i>Net book value</i>	
At 3 January 1999	-
At 4 January 1998	534,974

9 Tangible fixed assets

	<b>Freehold Property £</b>	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<i>Cost or valuation</i>					
At beginning of period	97,026	386,413	65,539	121,590	670,568
Additions	500	21,818	46,103	22,874	91,295
Disposals	-	-	-	(93,940)	(93,940)
Transfer to Executive Group Limited	(97,526)	(408,231)	(111,642)	(50,524)	(667,923)
<b>At end of period</b>	-	-	-	-	-
<i>Depreciation</i>					
At beginning of period	8,594	221,813	27,393	57,430	315,230
Charge for period	1,939	43,533	8,813	12,283	66,568
On disposals	-	-	-	(50,929)	(50,929)
Transfer to Executive Group Limited	(10,533)	(265,346)	(36,206)	(18,784)	(330,869)
<b>At end of period</b>	-	-	-	-	-
<i>Net book value</i>					
At 3 January 1999	-	-	-	-	-
At 4 January 1998	88,432	164,600	38,146	64,160	355,338

**Notes (continued)**

**9 Tangible fixed assets (continued)**

Included in the total net book value of fixed assets is £nil (1998 :£ 47,090) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on such assets was £3,489 (1998 :£5,674).

**10 Fixed asset investments**

<i>Shares in group undertakings</i>	£
At beginning of period	100
Transferred to Executive Group Limited	(100)
	<hr/>
At end of period	-
	<hr/>

**11 Stocks**

	3 January 1999 £	4 January 1998 £
Raw materials and consumables	-	30,386
	<hr/>	<hr/>

**12 Debtors**

	3 January 1999 £	4 January 1998 £
Trade debtors	-	874,195
Prepayments and accrued income	-	147,400
Directors loan	-	11,122
Amounts owed by group undertaking	467,200	-
	<hr/>	<hr/>
	467,200	1,032,717
	<hr/>	<hr/>

**Notes (continued)**

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

	3 January 1999 £	4 January 1998 £
Bank loans and overdrafts	-	768,329
Obligations under finance leases and hire purchase contracts	-	18,735
Trade creditors	-	244,083
Amounts owed to group undertakings	-	100
Corporation tax	-	35,788
Social security & other taxation	-	265,841
Accruals and deferred income	-	155,177
	-	1,488,053

The bank overdraft is secured by a corporate guarantee given by Executive Holdings Limited.

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

	3 January 1999 £	4 January 1998 £
Obligations under finance leases and hire purchase contracts	-	8,179

Obligations under finance leases and hire purchase contracts are secured on the asset to which they relate.

Notes (continued)

15 Called up share capital

	3 January 1999 £	4 January 1998 £
<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

16 Share premium and reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At beginning of period	462,800	21,562	(31,479)
Profit/(loss) for the period	-	-	9,917
Realised on transfer to Executive Group Limited	-	(21,562)	21,562
	<hr/> 462,800	<hr/> -	<hr/> -

17 Reconciliation of movement in shareholders' funds

	3 January 1999 £	4 January 1998 £
Profit/(loss) for the period	9,917	(101,314)
Dividends	-	-
	<hr/> 9,917	<hr/> (101,314)
Net increase/(reduction) in shareholders funds	9,917	(101,314)
Opening shareholders' funds (1998: originally £652,136 restated for prior year adjustment of £93,539)	457,283	558,597
	<hr/> 467,200	<hr/> 457,283



## Notes (continued)

### 18 Contingent liabilities

The company has guaranteed performance bonds amounting to £10,000 in respect of certain contracts.

### 19 Commitments

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

	3 January 1999		4 January 1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	43,360	-	28,218
In the second to fifth years inclusive	6,500	31,308	-	65,676
Over five years	8,000	-	6,500	-
	<u>14,500</u>	<u>74,668</u>	<u>6,500</u>	<u>93,894</u>

### 20 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £6,552. There were no amounts outstanding at the end of the period.

### 21 Ultimate parent undertaking

The company is a subsidiary undertaking of Executive Holdings Limited which is the ultimate parent company incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Executive Holdings Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ. No other group accounts include the results of the company.