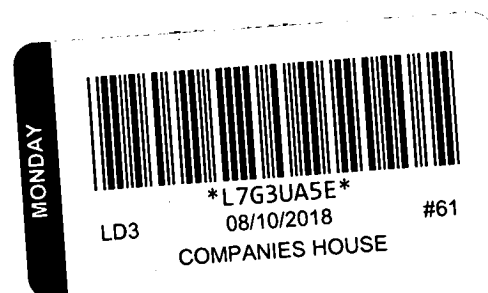


Spectrum Franchising Limited

Directors' report and financial statements

Registered number 02130421

31 December 2017



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Strategic report

Objectives

The Company's long term objective is to increase profitability in order to support continued investment. In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks.

Principal activity

The principal activity of the Company is the provision of accidental damage, fire and water restoration services to the insurance industry, loss adjusters and brokers via Rainbow International Carpet Care and Restoration Specialist Franchise Network. Fire, flood, escape of water and accidental damage restoration is supplied to many of the top insurance companies in the United Kingdom, on behalf of their policyholders' claims, as well as Specialist Cleaning Services to a wide range of commercial and industrial organisations.

Development and performance of the business of the Company

The results for the year and the financial position of the Company are shown in the financial statements. Whilst the directors are satisfied with the results for the year, the economic climate and the continuing focus by customers on price and service delivery has continued to make the market place in which we trade challenging for both the Company and its franchise partners.

Network turnover for the year to 31 December 2017 was £28,594,000 – a decrease on the previous year (2016: £34,434,000). Network turnover is defined as the sales recorded by our franchise network, and not the turnover of this company. Statutory turnover was £2,907,000 – a decrease on the previous year (2016: £3,823,000). This 24% decrease in statutory turnover is driven by the result of the decreased total network turnover. This is used as a KPI measure for the Company's performance, as the franchise network activity is a direct determinant of the growth or decline in turnover of the Company.

Operating profit for the Company decreased to £144,000 (2016: £929,000). This 85% decrease in the operating margin was significantly impacted by the decrease in Franchise Network turnover, and subsequent decrease in statutory turnover.

The Company exhibited at a number of commercial exhibitions during the year. Insurance specific exhibitions and presentations were also attended to maintain our presence in this market place.

Business environment

The external commercial environment was competitive in 2017 and is expected to remain so in 2018.

Key Performance Indicators ("KPI's")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs given above is sufficient for an understanding of the development, performance and position of the business.

Strategic report (continued)

Principal risks and uncertainties

The primary risks faced by the Business relate to:

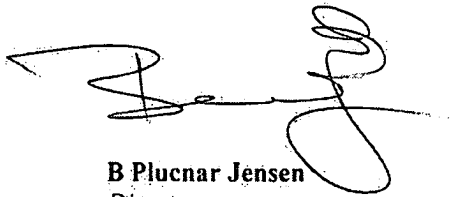
- Loss of key customer accounts
- Volatility of instruction volumes
- Loss of key people at Director and senior manager level

As far as reasonably possible, these risks are managed through the direction and leadership of the management team. Management seek to maintain an excellent relationship with key account holders and actively monitor the market to increase market share. Through such activities, management are confident that instruction volumes will be maintained.

Future outlook

The business continues to investigate new and innovative ways of operating efficiently, whilst maintaining a strong service culture for our customer base. Investment in technology, to be used as an enabler and finding innovative ways of working, remains a core focus for the business. Continuing investment and development in people, systems, and processes, through 2018 and beyond, will strengthen and enhance our market position.

On behalf of the board



B Plucnar Jensen
Director

Registered office:

Velocity 1
Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

2 OCTOBER 2018

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office during the year and up until the date of this report were as follows:

M Brabin
B Plucnar Jensen
S Mitchell (appointed 3 February 2017)
D Grummit (appointed 19 April 2017, resigned 8 January 2018)
K Mackintosh (appointed 11 January 2018)
P Else (resigned 3 February 2017)
B Wallage (resigned 31 March 2017)

Employees

The Company produces various information publications for employees and staff. 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 development and promotion of a disabled person is identical to that of other employees so far as possible.

Political and charitable donations

The Company made no political donations during the year (2016: £nil).

Going Concern

The Company's business activities, together with the factors likely to affect its future development are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries within the UK. As a consequence, the directors believe that The Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, including the arrangements with group undertakings, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' report (continued)

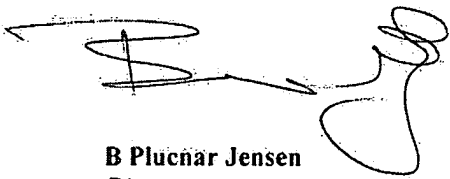
Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board



B Plucnar Jensen
Director

Registered office:

Velocity 1
~ Brooklands Drive
Brooklands
Weybridge
Surrey
KT13 0SL

20 OCTOBER 2018

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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 elected to prepare 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 for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Independent auditor's report to the members of Spectrum Franchising Limited

Opinion

We have audited the financial statements of Spectrum Franchising Limited for the year ended 31 December 2017 which comprise Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Spectrum Franchising Limited *(continued)*

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Spectrum Franchising Limited
(continued)

Use of our report

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.



Mohan Pandian (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 5 October 2018

Statement of comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 £'000	2016 £'000
Turnover	3	2,907	3,823
Cost of sales		-	(67)
Gross profit		2,907	3,756
Administrative expenses		(2,763)	(2,827)
Operating profit		144	929
Other interest receivable and similar income	4	-	377
Profit on ordinary activities before taxation	5	144	1,306
Tax on profit on ordinary activities	6	(28)	(264)
Profit for the year and total comprehensive income		116	1,042

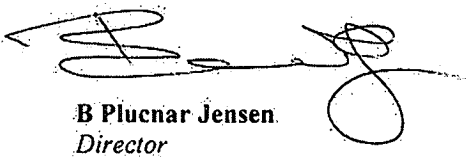
All activities relate to continuing operations.

Balance sheet

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	8	43	17
Current assets			
Stocks	9	413	326
Debtors	10	26,721	25,900
Investments	11	5	5
Cash and bank	12	-	-
		<u>27,139</u>	<u>26,231</u>
Creditors: amounts falling due within one year	13	<u>(2,515)</u>	<u>(1,697)</u>
Net current assets		24,624	24,534
Net assets		24,667	24,551
Capital and reserves			
Share capital	14	850	850
Retained earnings		23,817	23,701
Total equity		24,667	24,551

These financial statements were approved by the board of Directors on 20 October 2018 and were signed on its behalf by:


B Plucnar Jensen
Director

Company registration number: 02130421

Statement of changes in equity
for the year ended 31 December 2017

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2016	850	22,659	23,509
Profit for the financial year	-	1,042	1,042
At 31 December 2016	<u>850</u>	<u>23,701</u>	<u>24,551</u>
Profit for the financial year	-	116	116
At 31 December 2017	<u>850</u>	<u>23,817</u>	<u>24,667</u>

Notes

(forming part of the financial statements)

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Spectrum Franchising Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on ~~20 October~~ 2018 and the balance sheet was signed on the board's behalf by B Plucnar Jensen. Spectrum Franchising Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non-amortisation of goodwill.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ISS A/S.

The results of Spectrum Franchising Limited are included in the consolidated financial statements of ISS A/S which are available from Buddingevej 197, DK-2860 Søborg, Denmark.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (d) the requirements of IAS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes (continued)

2 Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Going concern

The Company has considerable financial resources together with long-term relationships with key operators. As a consequence, the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Revenue is derived from three main sources; management fees charged on all Franchisee sales; area sales being territories sold by the Franchisor to current and new Franchisee's for the legal right to operate within the postcode(s) assigned within that territory; and all other income being incidental additional revenue streams from the sale of new Franchises.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The rates generally applicable are:

Leasehold improvements	Straight line over 3 years
Motor vehicles	Straight line over 3 years
IT, software and office equipment	Straight line over 2 years

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Notes (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Leased assets

Operating lease payment are charged to the profit and loss account on a straight-line basis over the lease term.

Financial instruments

i) Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include cash, trade and other receivables.

The subsequent measurement of financial assets depends on their classification. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

ii) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Notes (continued)

2 Accounting policies (continued)

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Stock and work in progress

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

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses.

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Pension and other post employment benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Notes (continued)

2 Accounting policies (continued)

Employee benefit trust

Assets held by the Company's Employee Benefit Trust ('EBT') are included in the Company's balance sheet as current asset investments, subject to any provision for diminution in value until they are unconditionally distributed to beneficiaries at the unfettered discretion of the trustees of the EBT.

National advertising fund

Under the terms of the franchise agreement between the Company and its franchisees, the Company charges each franchisee a levy to be applied to a centrally held fund for use in marketing and promoting the franchise network (the 'National Advertising Fund'). Levies received under this fund are accrued as a liability and any expenditure incurred with respect to the fund are debited to the accrual, with the balance being recognised as an accrual on the balance sheet.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

3 Turnover

Turnover is entirely derived within the United Kingdom and is analysed as follows:

	2017 £'000	2016 £'000
a) Management fees	2,654	3,347
b) Sales of franchise areas	30	50
c) Other sales	223	426
	<u>2,907</u>	<u>3,823</u>

The turnover analysis above is presented as (a) 9%-management fees charged by the Company on the sales made by the franchise network; (b) revenue received from the area sales being territories sold by the Company to current and new franchisees for the legal right to operate within the postcode(s) assigned within that territory and (c) other income being incidental revenue streams.

4 Other interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest receivable	-	377
	<u>-</u>	<u>377</u>

5 Profit on ordinary activities before taxation

	2017 £'000	2016 £'000
<i>The profit on ordinary activities is stated after charging:</i>		
Depreciation	14	44
Operating lease rentals	113	115
- land and buildings		
- other	37	38
<i>Auditors' remuneration:</i>		
- audit of these financial statements	24	24
	<u>24</u>	<u>24</u>

Notes (continued)

6 Tax on profit on ordinary activities

a) Tax in the income statement

	2017 £'000	2016 £'000
<i>Current tax</i>		
UK corporation tax on income for the period	21	258
Adjustment in respect of prior years	-	(1)
Total current tax charge	21	257
<i>Deferred tax</i>		
Origination and reversal of timing differences	8	4
Relating to change in rate of deferred tax	(1)	2
Adjustment in respect of a prior year	-	1
Total deferred tax charge	7	7
Tax charge in the income statement	28	264

b) Reconciliation of total tax charge

The tax expense in the income statement is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	144	1,306
Current tax at 19.25% (2016: 20.00%)	28	261
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	1
Changes in the tax rate	(1)	2
Adjustment in respect of prior periods	-	-
Total expense reported in the income statement	28	264

c) Change in corporation tax rate

The current rate of corporation tax in force in the period was a rate of 19.25%.

Finance (No 2) Act 2015, which was enacted in November 2015, included a reduction of the main rate of corporation tax to 19% from 1 April 2017 and a reduction to 18% from 1 April 2020. However, following Finance Bill 2016, which was enacted on 6 September 2016, the proposed main rate of corporation tax of 18% was further reduced to 17% from 1 April 2020. As this rate was substantively enacted at the balance sheet date, deferred tax has been measured at this rate.

Notes (continued)

6 Tax on profit on ordinary activities (continued)

d) Deferred tax

	2017 £'000	2016 £'000
<i>The deferred tax included in the balance sheet is as follows:</i>		
Difference between accumulated depreciation and capital allowances	39	48
Relating to other timing differences	2	-
	<u>41</u>	<u>48</u>
Deferred tax asset (note 10)	<u>41</u>	<u>48</u>
At 1 January	48	55
Deferred tax credited to the profit and loss account in the year	(8)	(4)
Adjustment in relation to prior years	-	(1)
Deferred tax charge relating to rate change	1	(2)
	<u>41</u>	<u>48</u>
At 31 December 2017	<u>41</u>	<u>48</u>

7 Staff costs and directors' remuneration

	2017 £'000	2016 £'000
<i>Staff costs during the year were as follows:</i>		
Wages and salaries	1,166	1,166
Social security costs	123	146
Other pension costs	88	101
	<u>1,377</u>	<u>1,413</u>

The average number of employees during the year was:

	2017 Number	2016 Number
Directors	-	2
Sales	6	6
Administration	46	44
	<u>52</u>	<u>52</u>

	2017 £'000	2016 £'000
<i>Remuneration in respect of directors was as follows:</i>		
Emoluments	36	228
Pension contributions to money purchase pension schemes	2	27
	<u>38</u>	<u>255</u>

Notes (continued)

7 Staff costs and directors' remuneration (continued)

During 2017, one director (2016: one) participated in money purchase schemes.

	2017 £'000	2016 £'000
<i>The amounts set out above include remuneration in respect of the highest paid director as follows:</i>		
Emoluments	26	124
Pension contributions to money purchase pension schemes	1	22
	<u>27</u>	<u>146</u>

Five of the directors of the Company are remunerated by other companies in the ISS group during the year (2016: four). No recharges of directors remuneration has been made to the Company (2016: nil).

8 Tangible fixed assets

	Leasehold land and buildings £'000	Motor vehicles £'000	IT software and office equipment £'000	Total £'000
<i>Cost or valuation:</i>				
At 1 January 2017	90	94	1,405	1,589
Additions	-	-	40	40
	<u>90</u>	<u>94</u>	<u>1,445</u>	<u>1,629</u>
At 31 December 2017	90	94	1,445	1,629
<i>Accumulated depreciation:</i>				
At 1 January 2016	90	94	1,388	1,572
Provided in the year	-	-	14	14
	<u>90</u>	<u>94</u>	<u>1,402</u>	<u>1,586</u>
At 31 December 2016	90	94	1,402	1,586
<i>Net book value:</i>				
At 31 December 2017	-	-	43	43
	<u>-</u>	<u>-</u>	<u>43</u>	<u>43</u>
At 31 December 2016	-	-	17	17
	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>

Notes (continued)

9 Stocks

	2017 £'000	2016 £'000
Work in progress	413	326

10 Debtors

	2017 £'000	2016 £'000
Amounts owed from group undertakings	24,946	25,008
Trade debtors	1,556	790
Prepayments	76	55
Deferred tax (note 6)	41	47
Corporation tax	102	-
	<u>26,721</u>	<u>25,900</u>

11 Current asset investments

	2017 £'000	2016 £'000
EBT	5	5

EBT

In 2000 the Company made a contribution to the Spectrum Franchising Limited Employee Benefit Trust ('the EBT') which has been established to provide benefits to employees and directors of the Company. Assets held by the EBT may be distributed to individuals at the unfettered discretion of the trustees, from time to time. During the year nil (2016: £nil) was allocated.

12 Cash at bank

The cash balance of the Company is controlled centrally by the Company's parent company and is therefore classified in the accounts within intercompany.

An amount of £150,080 (2016: £150,000) is held in a separate account, on behalf of the franchise partners in respect of monies relating to the National Advertising Fund (note 2). The Company also recognises an accrual for £123,000 (2016: £245,000) in respect of the franchise partners' contributions to the National Advertising Fund held centrally by the Company (note 13), where respective cash balance in the amount of £150,080 is included in the amounts owed from group undertakings (note 10).

Notes (continued)

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Payments in advance	16	342
Trade creditors	1,879	740
National Advertising Fund	123	245
Social security and other taxes	111	157
Corporation tax	-	43
Amounts owed to group undertakings	21	1
Accruals	365	169
	<u>2,515</u>	<u>1,697</u>

14 Called up share capital

	2017 £'000	2016 £'000
<i>Authorised:</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid:</i>		
850,000 Ordinary shares of £1 each	<u>850</u>	<u>850</u>

Notes (continued)

15 Operating lease commitments

Future minimum lease payments under operating lease agreements are as follows:

	Other		Land and buildings	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Future minimum lease payments due:				
Within one year	17	47	115	115
In the second to fifth years inclusive	5	25	460	460
	<u>22</u>	<u>72</u>	<u>575</u>	<u>575</u>

16 Pensions

The Company operates a defined contribution pension scheme, which represents the money purchase pension scheme that the Company's directors and other employees participate in. The pension charge represents contributions payable by the Company to the scheme and amounted to £87,705 (2016: £101,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17 Related party transactions

Transactions with directors were as follows:

Mr P Else owns one of the properties occupied by the Company. Rent payable to Mr Else during the year amounted to £18,750 (2016: £18,750).

18 Ultimate parent and controlling undertaking

The Company is a subsidiary undertaking of ISS UK Limited incorporated in England and Wales. The largest and only group in which the results of the Company are consolidated is that headed by ISS A/S incorporated in Denmark. The consolidated accounts of this Company are available to the public and may be obtained from the following address:

ISS A/S
Buddingevej 197
DK-2860 Søborg
Denmark