



**OCS CLEANING MIDLANDS & NORTH
LIMITED**

Report and Financial Statements

31 March 1996

**Deloitte & Touche
Cornwallis House
Instone Road
Dartford DA1 2AG**





REPORT AND FINANCIAL STATEMENTS 1996

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Auditors' report	6
Profit and loss account	7
Reconciliation of movement in shareholders' funds	8
Balance sheet	9
Notes to the accounts	10



REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P.G. Goodliffe (Chairman)
P.D. Jury (Managing Director)
T.J. Staunton
A.J. Nuttall
C.R. Harvey

SECRETARY

M. Clark

REGISTERED OFFICE

79 Limpsfield Road
Sanderstead
Surrey CR2 9LB

AUDITORS

Deloitte & Touche
Chartered Accountants
Cornwallis House
Instone Road
Dartford DA1 2AG



DIRECTORS' REPORT

The directors present their first report and the audited financial statements for the period from incorporation on 15th May 1995 to 31st March 1996.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the cleaning of offices, business and retail premises, including ancillary services and specialist cleaning.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

On 1st July 1995 certain of the goodwill, assets, liabilities and business of Office Cleaning Services Limited, a fellow subsidiary company, was transferred into the Company.

Unexpected losses in the Retail Division spoilt encouraging growth in turnover and profits in the office and window cleaning operation. Restructuring is expected to produce improved results.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

Details of the results for the period are set out in the profit and loss account on page 7 and in the notes on pages 10 to 12.

The financial position of the Company at the year end is set out in the balance sheet on page 9 and in the notes on pages 12 to 14.

An interim dividend has not been paid during the period. The directors do not recommend the payment of a final dividend.

The profit for the period of £418,000 has been transferred to reserves.

CHANGE IN SHARE CAPITAL

The issued share capital of the Company was increased to £2,000,000 by the allotment of an additional 1,999,998 ordinary shares on 21st March 1996. The purpose of the increase in share capital was to provide a permanent form of finance.

DIRECTORS

The directors who served during the period were as follows:

Mr. P.G. Goodliffe	Chairman	(Appointed Chairman on 15th May 1995)
Mr. P.D. Jury	Managing Director	(Appointed 15th May 1995)
Mr. C.R. Harvey		(Appointed 15th May 1995)
Mr. T.J. Staunton		(Appointed 30th June 1995)
Mr. A.J. Nuttall		(Appointed 30th June 1995)

Having been appointed during the period, Messrs. P.G. Goodliffe, P.D. Jury, C.R. Harvey, A.J. Nuttall and T.J. Staunton retire and offer themselves for re-election.

None of the directors had any interest in the shares of the Company or any other Group companies at 31st March 1996 or on appointment except as noted below.

Mr P.G. Goodliffe is a director of the ultimate parent company, O.C.S. Group Limited and accordingly, his interest in the share capital of that company is shown in the report of its directors.

Mr. P.D. Jury had an interest in 500 employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company, on appointment and at 31st March 1996.

None of the remaining directors held any shares in the ultimate parent company.

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

The Company recognises that its principal asset is its employees and their commitment to its service standards and customers. Decisions are made wherever possible in consultation with the Company's divisional and regional management. Communication methods, to employees, vary according to need, but include employee reports, house journals, newsletters, booklets, video updates, bulletins and management briefings.

The Company offers equal opportunities to all applicants whatever their sex, age, ethnic origin, religion or marital status. Disabled persons, whether registered or not, are considered for employment where they have the appropriate skills and abilities to perform the job. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

The Company is committed to ensuring that the training of staff in operating skills, as well as providing opportunities for personal development, remains an essential part of Company policy.

HEALTH AND SAFETY

A commitment to health and safety of our employees and clients is established in an O.C.S. Group Limited overall policy which is co-ordinated by a Group Board Director. Each company within the Group is responsible for implementation of the policy through sound training, documented procedures and regular safety committee meetings that take in all Group companies.

This responsibility is supported by our qualified health and safety officers available for on-site inspections and in an advisory capacity.

THE COMMUNITY AND THE ENVIRONMENT

The Group recognises that meeting environmental responsibilities is an integral part of its business operations. A Group Board Director has specific responsibility for the environmental policy and throughout the Group there is a commitment to provide the knowledge, skills and resources required to support an effective environmental policy within the Group's wider commercial objectives. The Group has carried out environmental audits of its leasehold and freehold property portfolio. This commitment will continue on a regular basis.

Each company within the Group has adopted the overall framework of the environmental policy. Procedures and processes have been implemented which endeavour to minimise potential damage to the environment, by the use of products and work methods which minimise risk to employees and clients, as well as limit emissions and waste.

Heightened public awareness and increased legislation provide a focal point for developing environmentally friendly techniques and solutions to problems, both in the Group's traditional activities, and in offering opportunities to develop new business.

TANGIBLE FIXED ASSETS

Details of the changes in the fixed assets during the period are included in note 8 to the accounts.

DIRECTORS' REPORT

AUDITORS

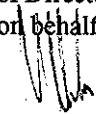
Messrs. Touche Ross & Co. were appointed auditors on 15 May 1995.

On 1st February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name.

The Company passed an Elective Resolution on 15th June 1995 in accordance with Section 386 of the Companies Act 1985 dispensing with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche shall remain in office until the Company or Deloitte & Touche otherwise determine.

79 Limpsfield Road
Sanderstead
Surrey CR2 9LB

Approved by the Board
of Directors and signed
on behalf of the Board


M. Clark
Secretary

19/08/96

**STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the Company 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;
- 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. 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.



Chartered Accountants

Deloitte & Touche
Cornwallis House
Instone Road
Dartford DA1 2AG

Telephone: National 01322 277777
International + 44 1322 277777
Telecopier (Gp. 3): 01322 291443

AUDITORS' REPORT TO THE MEMBERS OF O.C.S. CLEANING MIDLANDS & NORTH LIMITED

We have audited the financial statements on pages 7 to 15 which have been prepared under the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 5 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 at 31 March 1996 and of its profit for the period from 15 May 1995 to 31 March 1996 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

16th September, 1996.



PROFIT AND LOSS ACCOUNT

Period from 15 May 1995 to 31 March 1996

	Note	1996 £'000
TURNOVER	2	18,640
Cost of sales		(14,030)
GROSS PROFIT		4,610
Administrative expenses		(3,823)
OPERATING PROFIT	3	787
Interest payable	6	(44)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		743
Tax on profit on ordinary activities	7	(325)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES	14	418

All the results derive from continuing operations.

There are no recognised gains or losses for the current financial period other than as stated above.



RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Period from 15 May 1995 to 31 March 1996

	1996
	£'000
Profit for the financial period	418
Issue of shares	2,000
Goodwill written off	(8)
	<hr/>
Net addition to shareholders' funds	2,410
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	2,410
	<hr/> <hr/>



BALANCE SHEET

31 March 1996

	Note	1996 £'000
FIXED ASSETS		
Tangible assets	8	<u>1,196</u>
CURRENT ASSETS		
Stocks	9	24
Debtors	10	3,709
Cash at bank and in hand		<u>700</u>
		4,433
CREDITORS: amounts falling due within one year	12	<u>(3,219)</u>
NET CURRENT ASSETS		<u>1,214</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>2,410</u></u>
CAPITAL AND RESERVES		
Called up share capital	13	2,000
Profit and loss account	14	<u>410</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>2,410</u></u>

These financial statements were approved by the Board of Directors on 19/08/96

Signed on behalf of the Board of Directors

P.G. Goodliffe

C.R. Harvey

Directors



NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of services provided exclusive of value added tax.

Tangible fixed assets and depreciation

For all tangible fixed assets depreciation is calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Motor vehicles	-	between 2 and 5 years
Equipment, fixtures, fittings and computers	-	between 2 and 5 years

Pensions

The Company participates within the O.C.S. Group Staff Pension and Assurance Scheme covering managerial, administrative and sales staff. The pension costs are assessed in accordance with the advice of an independent qualified actuary and are charged to the profit and loss account so as to spread the costs over the expected service lives of participating employees.

Stocks

Stocks consist of raw material and consumable goods for resale and are valued at the lower of cost and net realisable value.

Leases

The costs of operating leases are charged to the profit and loss account as they accrue.

Goodwill

Purchased goodwill is written off directly to reserves in the year of acquisition.

2. TURNOVER AND PROFITS

All turnover and profits are attributable to one activity which is carried out wholly in the United Kingdom.

3. OPERATING PROFIT

	1996
	£'000
Operating profit is after charging:	
Depreciation	
Owned assets	511
Auditors' remuneration	
Audit fees	11
and after crediting:	
Profit on disposal of fixed assets	44
	<hr/>



NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

4. INFORMATION REGARDING EMPLOYEES

	1996 No.
The average number employed by the Company, including directors, within each category of persons was:	
Operating staff	7,697
Sales staff	11
Administration staff	32
	<u>7,740</u>
The costs incurred in respect of these employees, including directors, were:	£'000
Wages and salaries	13,163
Social security costs	434
Other pension costs	148
	<u>13,745</u>

5. DIRECTORS' EMOLUMENTS

	1996 £'000
Remuneration of the directors included in staff costs were as follows:	
Management remuneration	<u>150</u>
The emoluments, excluding pension contributions, of directors were as follows:	
Chairman	<u>Nil</u>
Highest paid director	<u>53</u>
	1996 No.
Other directors:	
£ 10,001 - £ 15,000	1
£ 30,001 - £ 35,000	1
£ 35,001 - £ 40,000	<u>1</u>

The Chairman, Mr P.G. Goodliffe, is a director of the ultimate parent company and his emoluments are shown in the accounts of that company.

6. INTEREST PAYABLE

	1996 £'000
On amounts owed to ultimate parent company	<u>44</u>
	11

NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000
United Kingdom corporation tax at 33% based on the profit for the period	333
Deferred taxation	(8)
	<u>325</u>

The tax charge is disproportionate to the profit on ordinary activities before taxation principally due to non-recognition of significant deferred tax assets and certain expenses charged to the profit and loss account being disallowed for taxation purposes.

8. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Equipment, fixtures, fittings and computers £'000	Total £'000
Cost			
Additions - third party	371	63	434
- intra group	1,934	1,716	3,650
Disposals - third party	(315)	(10)	(325)
- intra group	(55)	-	(55)
	<u>1,935</u>	<u>1,769</u>	<u>3,704</u>
At 31 March 1996			
Accumulated depreciation			
Charge for the period	297	214	511
On group additions	1,193	1,159	2,352
Disposals - third party	(296)	(10)	(306)
- intra group	(49)	-	(49)
	<u>1,145</u>	<u>1,363</u>	<u>2,508</u>
At 31 March 1996			
Net book value			
At 31 March 1996	<u>790</u>	<u>406</u>	<u>1,196</u>

Included in fixed assets are fully depreciated assets with an original cost of £1,528,000.

9. STOCKS

	1996 £'000
Raw materials and consumables	<u>24</u>

There was no significant difference between the replacement cost of stocks and the amounts at which they are stated in the financial statements.

NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

10. DEBTORS

	1996 £'000
Trade debtors	3,322
Amounts owed by fellow subsidiaries	135
Deferred tax (note 11)	8
Prepayments and accrued income	244
	<u>3,709</u>

11. DEFERRED TAXATION

	1996 £'000
Current period credit	(8)
Balance at 31 March 1996	<u>(8)</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1996 £'000	Not provided 1996 £'000
Short term timing differences	<u>(8)</u>	<u>-</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000
Trade creditors	202
Amounts owed to ultimate parent company	1,734
Amounts owed to fellow subsidiaries	165
Corporation tax	333
Other taxes and social security	164
Accruals	621
	<u>3,219</u>

NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

13. CALLED UP SHARE CAPITAL

	1996 £'000
Authorised 4,000,000 ordinary shares of £1 each	4,000
Called up, allotted and fully paid 2,000,000 ordinary shares of £1 each	2,000

2 ordinary shares of £1 each were issued on incorporation.

The issued share capital of the Company was increased to £2,000,000 by the allotment of an additional 1,999,998 ordinary shares on 21st March 1996. The purpose of the increase in share capital was to provide a permanent form of finance.

14. PROFIT AND LOSS ACCOUNT

	1996 £'000
Retained profit for the financial period	418
Goodwill written off	(8)
Balance at 31 March 1996	410

15. FINANCIAL COMMITMENTS

	1996 £'000
Capital commitments	
Authorised but not yet contracted for	140

16. CONTINGENT LIABILITIES

The company has issued guarantees and warranties in the normal course of business.

17. PENSION SCHEME

The Company is a member of the O.C.S. Group Staff Pension and Assurance Scheme. This is a separate trustee fund administered by professional investment managers. Particulars of the scheme, including the latest actuarial assessment which was made as at 31 March 1994, are given in the financial statements of O.C.S. Group Limited. Pensions costs for the period are disclosed in note 4 to the accounts.



NOTES TO THE ACCOUNTS

Period from 15 May 1995 to 31 March 1996

18. CASH FLOW STATEMENT

The Company is not presenting a cash flow statement. It is taking advantage of the exemption in Financial Reporting Standard No. 1 "Cash Flow Statements" as the ultimate parent company, O.C.S. Group Limited, has included a consolidated cash flow statement within its own consolidated financial statements. Copies of these financial statements can be obtained from the address shown in note 19 to the accounts.

19. ULTIMATE PARENT COMPANY

The ultimate parent company is O.C.S. Group Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts of O.C.S. Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.