

**OCS CLEANING MIDLANDS & NORTH
LIMITED**

Report and Financial Statements

31 March 1998

**Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ**



OCS CLEANING MIDLANDS & NORTH LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

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OCS CLEANING MIDLANDS & NORTH LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr P D Jury - Managing Director
Mr P R Hull
Mr A J Nuttall
Mr T J Staunton

SECRETARY

Mr M Clark

REGISTERED OFFICE

79 Limpsfield Road
Sanderstead
Surrey
CR2 9LB

AUDITORS

Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES

The Company's principal activities remain those of the cleaning of offices, business and retail premises, including ancillary services and specialist cleaning.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

A successful trading year with all regions showing continued growth. Retention of major contracts on re-bid reflects the level of client satisfaction with our management and service performance. Strong sales in the last quarter will ensure an encouraging start to the new year.

RESULTS AND DIVIDENDS

Details of the results for the year are set out in the profit and loss account on page 6 and in the notes on pages 9 to 11.

The financial position at the year end is set out in the balance sheet on page 8 and in the notes on pages 12 to 14.

An interim dividend of £400,000 (1997 - £Nil) has been paid during the year.

The directors do not recommend the payment of a final dividend (1997 - £Nil).

DIRECTORS

The directors who served during the year were as follows:

Mr P G Goodliffe (Resigned 14 November 1997)

Mr C R Harvey (Resigned 23 May 1997)

Mr P D Jury Managing Director

Mr P R Hull

Mr A J Nuttall

Mr T J Staunton

None of the directors at 31 March 1998 had any interest in the shares of the Company or any other Group companies or on appointment except as noted below:

Mr P D Jury had an interest in 500 (1997 -500) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company, at 31 March 1998.

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

YEAR 2000 COMPLIANCE

The company has recognised the potential issues arising from the year 2000 and has investigated the upgrading of its computer and communications systems. A replacement programme is in operation to upgrade all areas of IT and communication networks as appropriate.

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, disability, religion or marital status. Disabled persons 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 place 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.

AUDITORS

The Company passed an Elective Resolution on 15 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

29/6/98

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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF OCS CLEANING MIDLANDS & NORTH LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 1998 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

20 June 1998

OCS CLEANING MIDLANDS & NORTH LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	27,337	25,740
Cost of sales		(20,826)	(19,345)
GROSS PROFIT		6,511	6,395
Administrative expenses		(5,195)	(5,254)
OPERATING PROFIT	3	1,316	1,141
Interest receivable	6	6	14
Interest payable	7	(11)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,311	1,155
Tax on profit on ordinary activities	8	(434)	(419)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		877	736
Dividends paid	9	(400)	-
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	15	477	736

All the activities derive from continuing operations.

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

OCS CLEANING MIDLANDS & NORTH LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1998

	1998 £'000	1997 £'000
Profit for the financial year	877	736
Dividends	(400)	-
Net additions to shareholders' funds	<u>477</u>	<u>736</u>
Opening shareholders' funds	3,146	2,410
Closing shareholders' funds	<u><u>3,623</u></u>	<u><u>3,146</u></u>

OCS CLEANING MIDLANDS & NORTH LIMITED

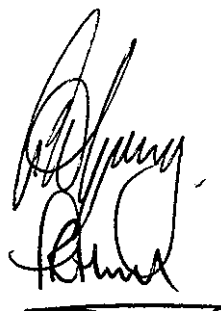
BALANCE SHEET 31 March 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	10	1,127	1,099
CURRENT ASSETS			
Stocks	11	-	19
Debtors	12	4,655	4,116
Cash at bank and in hand		499	1,022
		5,154	5,157
CREDITORS: amounts falling due within one year	13	(2,658)	(3,110)
NET CURRENT ASSETS		2,496	2,047
TOTAL ASSETS LESS CURRENT LIABILITIES		3,623	3,146
CAPITAL AND RESERVES			
Called up share capital	14	2,000	2,000
Profit and loss account	15	1,623	1,146
EQUITY SHAREHOLDERS' FUNDS		3,623	3,146

These financial statements were approved by the Board of Directors on 29 June 1998
Signed on behalf of the Board of Directors

P D Jury
Director

P R Hull
Director



NOTES TO THE ACCOUNTS

Year ended 31 March 1998

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, which excludes value added tax represents the invoiced value of services provided and the value of work executed on contract business.

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. The rates of depreciation are as follows:

Motor vehicles	25 - 33 $\frac{1}{3}$ % per annum
Plant, machinery, fixtures and fittings	10 - 33 $\frac{1}{3}$ % per annum

Stocks

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

Deferred taxation

Provision is made at the current rate of taxation for taxation liabilities arising from the allocation of items to different periods for taxation and for accounting purposes except where, in the opinion of the directors, the liability will not crystallise in the foreseeable future.

Pensions

The Company participates within the O.C.S. Group Staff Pension and Assurance Scheme and the O.C.S. Group Transfer of Undertakings Pension Scheme, which are both defined benefit schemes. 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.

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

	1998	1997
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation provided against tangible assets		
Owned assets	586	669
Auditors' remuneration		
Audit fees	12	16
Profit on sale of fixed assets	(64)	(47)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

4. DIRECTORS' EMOLUMENTS

	1998	1997
	£'000	£'000
Remuneration of the directors included in staff costs were as follows:		
Management remuneration	225	185
Pension contributions	18	17
	<u>243</u>	<u>202</u>
The emoluments, excluding pension contributions, of directors were as follows:		
Highest paid director	<u>78</u>	<u>72</u>

The accrued pension entitlement at 31 March 1998 of the highest paid director was £24,916 at 31 March 1997 £22,503.

All directors are members of the O.C.S. Group Staff Pension and Assurance Scheme.

5. INFORMATION REGARDING EMPLOYEES

	1998	1997
	No.	No.
The average number, including directors, employed by the Company, within each category of persons was:		
Operations	7,296	7,900
Sales	9	10
Administration	48	37
	<u>7,353</u>	<u>7,947</u>
Staff costs incurred during the year in respect of these employees, including directors, were:		
	£'000	£'000
Wages and salaries	18,461	18,035
Social security costs	695	625
Other pension costs	190	182
	<u>19,346</u>	<u>18,842</u>

OCS CLEANING MIDLANDS & NORTH LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 1998

6. INTEREST RECEIVABLE

	1998 £'000	1997 £'000
On amounts owed by ultimate parent company	6	14

7. INTEREST PAYABLE

	1998 £'000	1997 £'000
On amounts owed to ultimate parent company	11	-

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 33%)	424	460
Adjustment to prior year's tax provision:		
Corporation tax	(1)	(31)
Deferred taxation	11	(10)
	434	419

9. DIVIDENDS PAID

	1998 £'000	1997 £'000
Interim dividend paid	400	-

All dividends paid are in respect of equity shares.

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

10. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Plant, equipment, fixtures, fittings £'000	Total £'000
Cost			
At 1 April 1997	2,095	1,614	3,709
Additions - third party	616	135	751
Disposals - third party	(398)	(53)	(451)
- group	(101)	(267)	(368)
	<hr/>	<hr/>	<hr/>
At 31 March 1998	2,212	1,429	3,641
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 1997	1,285	1,325	2,610
Charge for the year	441	145	586
Disposals - third party	(373)	(53)	(426)
- group	(67)	(189)	(256)
	<hr/>	<hr/>	<hr/>
At 31 March 1998	1,286	1,228	2,514
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 1998	926	201	1,127
	<hr/>	<hr/>	<hr/>
At 31 March 1997	810	289	1,099
	<hr/>	<hr/>	<hr/>

11. STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	<hr/> -	<hr/> 19

At 31 March 1998 and 31 March 1997 there was no significant difference between the replacement cost of stocks and the amounts at which they are stated in the financial statements.

12. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	3,084	2,826
Amounts owed by ultimate parent company	548	515
Amounts owed by fellow subsidiaries	784	482
Deferred tax asset (note 16)	7	18
Prepayments and accrued income	232	275
	<hr/>	<hr/>
	4,655	4,116
	<hr/>	<hr/>

OCS CLEANING MIDLANDS & NORTH LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Trade creditors	424	202
Amounts owed to ultimate parent company	627	1,310
Amounts owed to fellow subsidiaries	220	276
Corporation tax	425	460
Other taxes and social security	176	158
Accruals and deferred income	786	704
	<u>2,658</u>	<u>3,110</u>

14. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
4,000,000 (1997 - 4,000,000) ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted and fully paid		
2,000,000 (1997 - 2,000,000) ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

15. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 April 1997	1,146
Retained profit for the year	477
Balance at 31 March 1998	<u>1,623</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 1998****16. DEFERRED TAXATION**

	£'000
Balance at 1 April 1997	(18)
Current year charge	11
	<hr/>
Balance at 31 March 1998	(7)
	<hr/>

The amount of deferred tax asset provided in the financial statements and the potential amounts not provided are:

	1998	Provided 1997	1998	Unprovided 1997
	£'000	£'000	£'000	£'000
Short term timing differences	(7)	(18)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

17. FINANCIAL COMMITMENTS

	1998	1997
	£'000	£'000
Capital commitments:		
Contracted for but not provided	161	104
	<hr/>	<hr/>

18. CONTINGENT LIABILITIES

The Company has entered into unlimited cross-guarantees in respect of borrowings by certain Group companies. At 31 March 1998 the borrowings outstanding were £nil (1997 - £nil). The Company has issued guarantees and warranties in the normal course of business.

19. RELATED PARTIES

In accordance with Financial Reporting Standard No.8, "Related Party Disclosures", transactions with other undertakings within, and investee related parties of, O.C.S. Group Limited have not been disclosed in these financial statements.

20. PENSION SCHEME

The Company is a member of the O.C.S. Group Staff Pension and Assurance Scheme and the O.C.S. Group Transfer of Undertakings Pension Scheme. These are separate trustee funds administered by professional investment managers. Particulars of the schemes, including the latest actuarial assessment, which for both schemes was made as at 31 March 1997, are given in the financial statements of O.C.S. Group Limited.

Pensions costs for the year are disclosed in note 5 to the accounts.

21. ULTIMATE PARENT COMPANY

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