

OCS CLEANING SOUTH LIMITED

Report and Financial Statements

31 March 2000

**Deloitte & Touche
63 High Street
Crawley
West Sussex
RH10 1BQ**



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REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. P.D. Jury - Managing Director
Mr. A. Bruter
Mr. A.N.F. Lewis
Mr. J.A. Stone

SECRETARY

Mr. M. Clark

REGISTERED OFFICE

79 Limpsfield Road
Sanderstead
Surrey
CR2 9LB

AUDITORS

Deloitte & Touche
63 High Street
Crawley
West Sussex
RH10 1BQ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The Company's principal activities were those of office, window and carpet cleaning, and other related support services.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The Company traded satisfactorily during the year and on 1 April 2000 the trade, goodwill and certain net assets of the Company were transferred to a related company, O.C.S. Cleaning Midlands & North Limited, to form O.C.S. Support Services Limited

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 10.

The financial position at the year end is set out in the balance sheet on page 7 and in the notes on pages 10 to 13. An interim dividend of £nil (1999 - £nil) has been paid during the year.

The directors do not recommend the payment of a final dividend (1999 - £nil).

DIRECTORS

The directors who served during the year were as follows:

Mr. P.D. Jury	Managing Director	(Appointed 1 January 2000)
Mr. A. Bruter		
Mr. T.C. Izzard		(Resigned 12 October 1999)
Mr. A.N.F. Lewis		(Appointed 8 February 2000)
Mr. J. Rathbone		(Resigned 19 April 1999)
Mr. J.A. Stone		(Appointed 7 September 1999)
Mr. O.W. Weisflog		(Resigned 1 January 2000)

Having been appointed during the year, Messrs P.D. Jury, A.N.F. Lewis and J.A. Stone retire and offers themselves for re-election.

None of the directors had any interest in the shares of the Company or any other Group companies at 31 March 2000 or 31 March 1999 or on appointment except as noted below.

Mr. P.D. Jury had an interest in 1,000 (1999 - 500) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company at 31 March 2000.

Mr. J.A. Stone had an interest in 250 (1999 - nil) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company at 31 March 2000.

YEAR 2000 ISSUES

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

DIRECTORS' REPORT (continued)

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 the 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.


AUDITORS

The Company passed an Elective Resolution on 7 December 1990 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

4th July 2000

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


M. Clark
Secretary

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 SOUTH LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 2000 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

13 July 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

	Note	2000 £'000	1999 £'000
TURNOVER	2	45,017	48,316
Cost of sales		(35,234)	(38,677)
GROSS PROFIT		<u>9,783</u>	<u>9,639</u>
Administrative expenses		(8,272)	(7,791)
OPERATING PROFIT	3	<u>1,511</u>	<u>1,848</u>
Interest receivable	5	67	-
Interest payable	6	(3)	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,575</u>	<u>1,801</u>
Tax on profit on ordinary activities	7	(484)	(543)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR TRANSFERRED TO RESERVES	14	<u><u>1,091</u></u>	<u><u>1,258</u></u>

All the activities derive from discontinued operations.

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

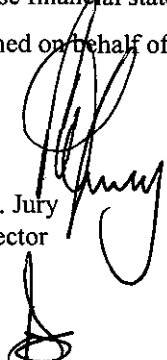
BALANCE SHEET
31 March 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	8	961	1,039
CURRENT ASSETS			
Stocks	9	16	36
Debtors	10	9,988	9,647
Cash at bank and in hand		1,558	853
		11,562	10,536
CREDITORS: amounts falling due within one year	12	(3,955)	(4,098)
NET CURRENT ASSETS		7,607	6,438
TOTAL ASSETS LESS CURRENT LIABILITIES		8,568	7,477
CAPITAL AND RESERVES			
Called up share capital	13	5,000	5,000
Profit and loss account	14	3,568	2,477
EQUITY SHAREHOLDERS' FUNDS		8,568	7,477

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

4th July 2000

P.D. Jury
Director



A.N.F. Lewis
Director



NOTES TO THE ACCOUNTS
Year ended 31 March 2000

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.

Goodwill arising on acquisitions

On the acquisition of a subsidiary or associated undertaking, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis. Goodwill on acquisitions prior to 1 April 1998 of £208,000 has been written off against the profit and loss reserve.

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 provided to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives. Where necessary, an impairment is recorded to recognise any reduction in the fixed asset's recoverable amount. The rates of depreciation are as follows:

Leased assets	Over the term of the lease
Motor vehicles	25 - 33 $\frac{1}{3}$ % per annum
Plant, machinery, fixtures and fittings	10 - 33 $\frac{1}{3}$ % per annum

Second hand fixed assets are depreciated over their estimated useful economic lives resulting in a depreciation charge in excess of that stated above.

Stocks

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

Deferred taxation

Provision is made at the anticipated 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. No provision is made for corporation tax on gains rolled over and the excess of industrial building allowances over depreciation unless there is an intention to dispose of such properties.

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. 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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

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

	2000	1999
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation of tangible fixed assets		
- Owned assets	593	657
Auditors' remuneration		
- Audit fees	18	21
Profit on sale of fixed assets	(35)	(88)
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000	1999
	£'000	£'000
Directors' emoluments		
Management remuneration	277	310
Pension contributions	20	28
	<u> </u>	<u> </u>
	<u>297</u>	<u>338</u>

The highest paid director received salary and benefits (excluding pension contributions) during the year totalling £84,817 (1999 £91,660). His accrued pension entitlement at 31 March 2000 was £27,216 (31 March 1999 £23,427).

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

	2000	1999
	No.	No.
Employees		
The average number, excluding directors, employed by the Company within each category of persons, was:		
Operations	6,281	6,827
Sales	23	24
Administration	70	84
	<u> </u>	<u> </u>
	<u>6,374</u>	<u>6,935</u>
	£'000	£'000

Staff costs incurred during the year in respect of these employees, excluding directors, were:

Wages and salaries	31,216	31,029
Social security cost	1,478	1,600
Other pension costs	301	294
	<u> </u>	<u> </u>
	<u>32,995</u>	<u>32,923</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

5. INTEREST RECEIVABLE

	2000 £'000	1999 £'000
On amounts owed by ultimate parent company	67	-

6. INTEREST PAYABLE

	2000 £'000	1999 £'000
On amounts owed to ultimate parent company	(3)	(47)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax		
Current tax on income for the period at 30% (1999 – 31%)	488	554
Adjustment in respect of prior years' tax provisions	(4)	(13)
	484	541
Deferred taxation	-	2
	484	543

8. TANGIBLE FIXED ASSETS

	Short leasehold properties £'000	Motor vehicles £'000	Plant, equipment, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 1999	4	2,452	2,605	5,061
Additions - third party	-	323	209	532
- group	-	-	13	13
Disposals - third party	-	(316)	(372)	(688)
- group	-	(47)	-	(47)
At 31 March 2000	4	2,412	2,455	4,871
Accumulated depreciation				
At 1 April 1999	4	1,670	2,348	4,022
Charge for the year	-	404	189	593
Disposals - third party	-	(306)	(372)	(678)
- group	-	(39)	-	(39)
On group additions	-	-	12	12
At 31 March 2000	4	1,729	2,177	3,910
Net book value				
At 31 March 2000	-	683	278	961
At 31 March 1999	-	782	257	1,039

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

9. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	<u>16</u>	<u>36</u>

At 31 March 2000 and 31 March 1999 there was no significant difference between the replacement cost of stocks and the amounts at which they are stated in the financial statements.

10. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	5,046	6,331
Amounts owed by ultimate parent company	4,456	2,670
Amounts owed by fellow subsidiary undertakings	172	121
Prepayments and accrued income	314	525
	<u>9,988</u>	<u>9,647</u>

11. DEFERRED TAXATION

	2000 £'000	1999 £'000
Balance at 1 April 1999	-	2
Current year credit	-	(2)
	<u>-</u>	<u>-</u>
Balance at 31 March 2000	<u>-</u>	<u>-</u>

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

	Recognised		Not recognised	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Short term timing differences	<u>-</u>	<u>-</u>	<u>263</u>	<u>263</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
Trade creditors	357	133
Amounts owed to ultimate parent company	1,128	1,279
Amounts owed to fellow subsidiary undertakings	594	766
Taxation	345	554
Other taxes and social security	506	362
Accruals and deferred income	1,025	1,004
	<u>3,955</u>	<u>4,098</u>

13. CALLED UP SHARE CAPITAL

	2000	1999
	£'000	£'000
<i>Authorised</i>		
5,000,000 (1999 – 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted and fully paid</i>		
5,000,000 (1999 – 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

14. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 April 1999	2,477
Retained profit for the year	1,091
Balance at 31 March 2000	<u>3,568</u>

15. CAPITAL COMMITMENTS

	2000	1999
	£'000	£'000
<i>Future capital expenditure</i>		
Contracted for but not provided	<u>-</u>	<u>62</u>

16. CONTINGENT LIABILITIES

The Company has entered into unlimited cross-guarantees in respect of borrowings by certain Group companies. At 31 March 2000 the borrowings outstanding were £nil (1999 - £nil). The Company has issued guarantees and warranties in the normal course of business.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

17. 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, both defined benefit schemes. These are separate trustee funds administered by professional investment managers. Particulars of the schemes are given in the financial statements of O.C.S. Group Limited. The most recent completed actuarial valuation was at 31 March 1997; the next valuation as at 31 March 2000 is in progress.

On 1 April 2000 the O.C.S. Group Staff Pension and Assurance Scheme was closed to new members. A new defined contribution scheme, the O.C.S. Group Pension Savings Scheme, commenced on the same date for eligible new staff employees and for those wishing to transfer from the old scheme.

Pension costs for the year are disclosed in note 4 to the accounts.

18. 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.

19. 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, Cardiff, CF14 3UZ.

20. POST BALANCE SHEET EVENT

On 1 April 2000 the trade, goodwill and certain net assets of the Company were transferred to a related company, O.C.S. Cleaning Midlands and North Limited, to form O.C.S. Support Services Limited. The transfer was at net book value.