

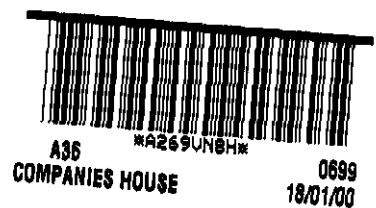


OCS CLEANING SOUTH LIMITED

Report and Financial Statements

31 March 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. O.W. Weisflog - Managing Director

Mr. A. Bruter

Mr. T.C. Izzard

SECRETARY

Mr. M. Clark

REGISTERED OFFICE

79 Limpsfield Road
Sanderstead
Surrey
CR2 9LB

AUDITORS

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The year was one of steady progress, despite the reduction of some national business at the end of 1998. Margins have been held despite the additional burdens of The Working Time Directive. Effective cost control has protected the trading position and put the Company on a positive course for the next year.

RESULTS, DIVIDENDS AND TRANSFERS FROM RESERVES

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

The financial position at the year end is set out in the balance sheet on page 9 and in the notes on pages 12 to 15.

An interim dividend of £nil (1998 - £1,000,000) has been paid during the year.

The directors do not recommend the payment of a final dividend (1998 - £nil).

DIRECTORS

The directors who served during the year were as follows:

Mr. O.W. Weisflog	Managing Director
Mr. A. Bruter	
Mr T.C. Izzard	(Appointed 9 April 1998)
Mr. J. Rathbone	(Resigned 19 April 1999)
Mr. M. Willmott	(Resigned 6 October 1998)

Having been appointed during the year, Mr. T.C. Izzard retires and offers himself for re-election.

None of the directors had any interest in the shares of the Company or any other Group companies at 31 March 1999 or 31 March 1998 or on appointment except as noted below.

Mr. O.W. Weisflog has an interest in 500 (1998 - 500) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company, at 31 March 1999.

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 communications networks as appropriate within O.C.S. Group Limited. The cost of this to the Group has been estimated and is not considered to be material.

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

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


M. Clark
Secretary

29th June 1999



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 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 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 1999 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
Deloitte & Touche

Chartered Accountants and
Registered Auditors

7th July 1999



PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	48,316	51,262
Cost of sales		<u>(38,677)</u>	<u>(41,627)</u>
GROSS PROFIT		9,639	9,635
Administrative expenses		<u>(7,791)</u>	<u>(8,325)</u>
OPERATING PROFIT	3	1,848	1,310
Interest receivable	6	-	6
Interest payable	7	<u>(47)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,801	1,316
Tax on profit on ordinary activities	8	<u>(543)</u>	<u>(420)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,258	896
Dividends paid	9	<u>-</u>	<u>(1,000)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR TRANSFERRED TO/(FROM) RESERVES	16	<u>1,258</u>	<u>(104)</u>

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.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**
Year ended 31 March 1999

	1999 £'000	1998 £'000
Profit for the financial year	1,258	896
Dividends	-	(1,000)
	<hr/>	<hr/>
Goodwill written off	1,258	(104)
	-	(11)
	<hr/>	<hr/>
Net additions to/(reduction in) shareholders' funds	1,258	(115)
Opening shareholders' funds	<hr/> 6,219	<hr/> 6,334
Closing shareholders' funds	<hr/> <hr/> 7,477	<hr/> <hr/> 6,219



BALANCE SHEET
31 March 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	10	1,039	1,181
CURRENT ASSETS			
Stocks	11	36	89
Debtors	12	9,647	9,080
Cash at bank and in hand		853	1,114
		10,536	10,283
CREDITORS: amounts falling due within one year	14	(4,098)	(5,245)
NET CURRENT ASSETS		6,438	5,038
TOTAL ASSETS LESS CURRENT LIABILITIES		7,477	6,219
CAPITAL AND RESERVES			
Called up share capital	15	5,000	5,000
Profit and loss account	16	2,477	1,219
EQUITY SHAREHOLDERS' FUNDS		7,477	6,219

These financial statements were approved by the Board of Directors on 29/6/99

Signed on behalf of the Board of Directors

O.W. Weisflog
Director

T.C. Izzard
Director



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

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 the acquisition of subsidiary and associated undertakings

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 subsequent to 1 April 1993 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 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:

Leased assets	-	Over the term of the lease
Motor vehicles	-	25 - 33.33% per annum
Plant, equipment, fixtures and fittings	-	10 - 33.33% per annum

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.

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.

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

	1999 £'000	1998 £'000
Operating profit is after charging/(crediting):		
Depreciation		
- Owned assets	657	668
Auditors' remuneration		
- Audit fees	21	19
Profit on sale of fixed assets	(88)	(57)
	<u> </u>	<u> </u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1999

4. DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Remuneration of the directors included in staff costs were as follows:		
Management remuneration	310	282
Pension contributions	28	25
	<u>338</u>	<u>307</u>
The emoluments, excluding pension contributions, of directors were as follows:		
Highest paid director	<u>100</u>	<u>82</u>

The accrued pension entitlement at 31 March 1999 of the highest paid director was £23,427 (at 31 March 1998 £19,358).

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

5. INFORMATION REGARDING EMPLOYEES

	1999 No.	1998 No.
The average number, including directors, employed by the Company within each category of persons, was:		
Operations	6,827	7,564
Sales	24	19
Administration	88	94
	<u>6,939</u>	<u>7,677</u>
Staff costs incurred during the year in respect of these employees, including directors, were:	£'000	£'000
Wages and salaries	31,313	30,266
Social security costs	1,629	1,479
Other pension costs	322	306
	<u>33,264</u>	<u>32,051</u>

6. INTEREST RECEIVABLE

	1999 £'000	1998 £'000
On amounts owed by ultimate parent company	<u>-</u>	<u>6</u>

7. INTEREST PAYABLE

	1999 £'000	1998 £'000
On amounts owed to ultimate parent company	<u>(47)</u>	<u>-</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1999

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 31% (1998 – 31%)	554	407
Deferred taxation	2	13
Adjustment in respect of prior years	(13)	-
	<u>543</u>	<u>420</u>

9. DIVIDENDS PAID

	1999 £'000	1998 £'000
Interim dividend paid	-	1,000
	<u>-</u>	<u>1,000</u>

All dividends paid are in respect of equity shares.

10. TANGIBLE FIXED ASSETS

	Short leasehold properties £'000	Motor vehicles £'000	Plant, equipment, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 1998	4	2,655	2,455	5,114
Additions - third party	-	351	150	501
- group	-	26	-	26
Disposals - third party	-	(540)	-	(540)
- group	-	(40)	-	(40)
At 31 March 1999	<u>4</u>	<u>2,452</u>	<u>2,605</u>	<u>5,061</u>
Accumulated depreciation				
At 1 April 1998	4	1,783	2,146	3,933
Charge for the year	-	441	202	643
Disposals - third party	-	(530)	-	(530)
- group	-	(38)	-	(38)
On group additions	-	14	-	14
At 31 March 1999	<u>4</u>	<u>1,670</u>	<u>2,348</u>	<u>4,022</u>
Net book value				
At 31 March 1999	<u>-</u>	<u>782</u>	<u>257</u>	<u>1,039</u>
At 31 March 1998	<u>-</u>	<u>872</u>	<u>309</u>	<u>1,181</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1999

11. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	-	28
Machines, spare parts and repaired equipment	-	9
Stationary and other computer consumables	36	52
	<u>36</u>	<u>89</u>

At 31 March 1999 and 1998 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

	1999 £'000	1998 £'000
<i>Trade debtors</i>	6,331	6,200
Amount owed by ultimate parent company	2,670	2,018
Amount owed by fellow subsidiary undertakings	121	52
Corporation tax recoverable	-	1
Deferred tax asset (note 12)	-	2
Prepayments and accrued income	525	807
	<u>9,647</u>	<u>9,080</u>

13. DEFERRED TAXATION

	1999 £'000	1998 £'000
Balance at 1 April	2	15
Current year charge/(credit)	(2)	(13)
	<u>-</u>	<u>2</u>
Balance at 31 March	<u>-</u>	<u>2</u>

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

	Recognised		Unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Short term timing differences	<u>-</u>	<u>2</u>	<u>263</u>	<u>290</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1999

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Trade creditors	133	279
Amounts owed to ultimate parent company	1,279	1,545
Amounts owed to fellow subsidiary undertakings	766	1,684
Corporation tax	554	407
Other taxes and social security	362	372
Accruals and deferred income	1,004	958
	<u>4,098</u>	<u>5,245</u>

15. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised 5,000,000 (1998 - 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid 5,000,000 (1998 - 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

16. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 April 1998	1,219
Retained profit for the year	<u>1,258</u>
Balance at 31 March 1999	<u>2,477</u>

17. FINANCIAL COMMITMENTS

	1999 £'000	1998 £'000
Capital commitments		
Contracted for but not provided	<u>62</u>	<u>-</u>

18. CONTINGENT LIABILITIES

The Company has entered into unlimited cross-guarantees in respect of borrowings by certain Group companies. At 31 March 1999 the borrowings outstanding were £nil (1998 - £nil). The Company has issued guarantees and warranties in the normal course of business.

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1999**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.