

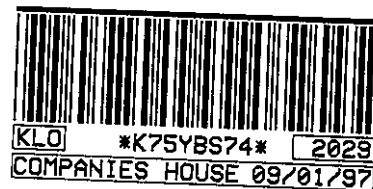


OFFICE CLEANING SERVICES LIMITED

Report and Financial Statements

31 March 1996

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



**REPORT AND FINANCIAL STATEMENTS 1996**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P.G. Goodliffe - Chairman
O.W. Weisflog - Managing Director
C.R. Harvey
M. Willmott
A. Stokes
J. Rathbone

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 annual report and the audited financial statements for the year ended 31st March 1996.

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 Company was re-structured on 1st July 1995 when its school and retail cleaning activities together with the commercial contracts for the Midlands and North were transferred to new specialist Group companies, which has resulted in a reduction of turnover. This, combined with a very competitive marketplace in the South of England, has resulted in lower profits for the year.

The reorganisation of directors' responsibilities was completed during the course of the year to enable the Company to focus on its core activities of commercial cleaning and support services in London, South East, and South West of England and the development of national cleaning contracts across the U.K.

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 13.

The financial position at the year end is set out in the balance sheet on page 9 and in the notes on pages 13 to 16.

An interim dividend of £5,000,000 (1995 - £nil) has been paid during the year. The directors do not recommend the payment of a final dividend (1995 - £nil).

The loss for the year of £4,118,000 (1995 - £1,405,000 profit) has been transferred from reserves.

DIRECTORS

The directors who served during the year were as follows:

Mr. P.G. Goodliffe	Chairman	(Appointed Chairman on 3rd April 1995)
Mr. O.W. Weisflog	Managing Director	(Appointed 3rd April 1995)
Mr. G.H. Bowthorpe		(Resigned 30th June 1995)
Mr. C.D. Cracknell		(Resigned 3rd April 1995)
Mr. T. Fox		(Resigned 31st March 1996)
Mr. J.H. Hammond		(Resigned 31st March 1996)
Mr. C.R. Harvey		
Mr. P.D. Jury		(Resigned 30th June 1995)
Mr. R.D. Pope		(Resigned 30th June 1995)
Mr. D.H. Symmons		(Resigned 30th June 1995)
Mr. M. Willmot		(Appointed 30th June 1995)
Mr. A. Stokes		(Appointed 2nd October 1995)
Mr. J. Rathbone		(Appointed 1st January 1996)

Having been appointed during the year, Messrs J. Rathbone, A. Stokes and M. Willmott 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 31st March 1995 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.

Messrs. T. Fox, J.H. Hammond, and O.W. Weisflog each had an interest in 500 (1995 - 500) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company, 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 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 year are included in note 10 to the accounts.



DIRECTORS' REPORT

AUDITORS

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 7th 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

A handwritten signature in black ink, appearing to be 'M. Clark'.

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 OFFICE CLEANING SERVICES LIMITED

We have audited the financial statements on pages 7 to 16 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 year then ended 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

Year ended 31 March 1996

	Note	1996 £'000	1995 £'000
TURNOVER	2, 3		
Continuing operations		35,203	36,520
Discontinued operations		9,012	35,049
Total turnover		<u>44,215</u>	<u>71,569</u>
Cost of sales	3	(33,955)	(54,604)
GROSS PROFIT	3	<u>10,260</u>	<u>16,965</u>
Administrative expenses	3	(9,051)	(14,854)
OPERATING PROFIT/(LOSS)	3, 4		
Continuing operations		1,244	2,148
Discontinued operations		(35)	(37)
Total operating profit		<u>1,209</u>	<u>2,111</u>
Interest receivable	7	31	85
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,240</u>	<u>2,196</u>
Tax on profit on ordinary activities	8	(358)	(791)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>882</u>	<u>1,405</u>
Dividends paid	9	(5,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR TRANSFERRED (FROM)/TO RESERVES	16	<u>(4,118)</u>	<u>1,405</u>

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

An analysis of trading between continuing and discontinued operations is given in note 3.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

Year ended 31 March 1996

	1996 £'000	1995 £'000
Profit for the financial year	882	1,405
Dividends	(5,000)	-
Goodwill written off	(30)	-
Net (reduction in)/addition to shareholders' funds	<u>(4,148)</u>	<u>1,405</u>
Opening shareholders' funds	13,477	12,072
Closing shareholders' funds	<u><u>9,329</u></u>	<u><u>13,477</u></u>



BALANCE SHEET
31 March 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	10	1,343	2,582
CURRENT ASSETS			
Stocks	11	81	134
Debtors	12	10,761	15,582
Cash at bank and in hand		797	1,204
		11,639	16,920
CREDITORS: amounts falling due within one year	14	(3,653)	(6,025)
NET CURRENT ASSETS		7,986	10,895
TOTAL ASSETS LESS CURRENT LIABILITIES		9,329	13,477
CAPITAL AND RESERVES			
Called up share capital	15	5,000	5,000
Profit and loss account	16	4,329	8,477
EQUITY SHAREHOLDERS' FUNDS		9,329	13,477

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****Year ended 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:

Freehold buildings	-	50 years
Short leasehold property	-	the period of the lease
Motor vehicles	-	between 2 and 5 years
Equipment, fixtures, fittings and computers	-	between 2 and 5 years

No depreciation is provided on freehold land.

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.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

3. ANALYSES OF CONTINUING AND DISCONTINUED OPERATIONS

	1996	1996	1996	1995	1995	1995
	Continuing	Dis-	Total	Continuing	Dis-	Total
	£'000	continued	£'000	£'000	continued	£'000
		£'000			£'000	
Turnover	35,203	9,012	44,215	36,520	35,049	71,569
Cost of sales	(26,653)	(7,302)	(33,955)	(26,717)	(27,887)	(54,604)
Gross profit	8,550	1,710	10,260	9,803	7,162	16,965
Administrative expenses	(7,306)	(1,745)	(9,051)	(7,655)	(7,199)	(14,854)
Operating profit/(loss)	1,244	(35)	1,209	2,148	(37)	2,111

On 1 July 1995 certain of the goodwill, assets, liabilities and business of the Company was transferred to OCS Cleaning Midlands and North Limited and Trident Contract Services Limited, two fellow subsidiary companies.

4. OPERATING PROFIT

	1996	1995
	£'000	£'000
Operating profit is after charging:		
Depreciation		
- Owned assets	836	1,463
Auditors' remuneration		
- Audit fees	25	38
and after crediting:		
Profit on disposal of fixed assets	93	167

5. INFORMATION REGARDING EMPLOYEES

	1996	1995
	No.	No.
The average number employed by the Company, including directors, within each category of persons was:		
Operating staff	11,729	19,736
Sales staff	17	43
Administration staff	105	194
	11,851	19,973
The costs incurred in respect of these employees, including directors, were:		
	£'000	£'000
Wages and salaries	32,696	52,730
Social security costs	1,377	2,113
Other pension costs	350	545
	34,423	55,388

NOTES TO THE ACCOUNTS
Year ended 31 March 1996

6. DIRECTORS' EMOLUMENTS

	1996 £'000	1995 £'000
Remuneration of the directors included in staff costs were as follows:		
Management remuneration	334	441
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The emoluments, excluding pension contributions, of directors were as follows:		
Chairman	nil	nil
<hr/>		
Highest paid director	70	78
<hr/>		
	1996 No.	1995 No.
Other directors:		
£ 0 - £ 5,000	3	3
£ 5,001 - £ 10,000	1	-
£ 10,001 - £ 15,000	1	-
£ 15,001 - £ 20,000	1	-
£ 20,001 - £ 25,000	1	1
£ 25,001 - £ 30,000	-	1
£ 30,001 - £ 35,000	2	1
£ 35,001 - £ 40,000	1	-
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	1	3
<hr/>		

The Chairman, P G Goodliffe, and C D Cracknell are directors of the ultimate parent company and their emoluments are shown in the accounts of that company.

7. INTEREST RECEIVABLE

	1996 £'000	1995 £'000
On amounts owed by ultimate parent company	31	39
Bank interest receivable	-	46
<hr/>		
	31	85
<hr/>		

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995 - 33%) based on the profit for the year	365	755
Adjustments to prior years' tax provisions		
Corporation tax	-	36
Deferred tax	(7)	-
<hr/>		
	358	791
<hr/>		

The tax charge is disproportionate to the profit on ordinary activities before taxation principally due to certain expenses charged to the profit and loss account being disallowed for taxation purposes.


NOTES TO THE ACCOUNTS
Year ended 31 March 1996
9. DIVIDENDS PAID

	1996 £'000	1995 £'000
Equity interim dividend paid	5,000	-

10. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Short leasehold properties £'000	Motor vehicles £'000	Equipment, fixtures, fittings and computers £'000	Total £'000
Cost					
At 1 April 1995	242	4	4,900	3,635	8,781
Additions - third party	-	-	708	494	1,202
- intra group	-	-	88	-	88
Disposals - third party	-	-	(555)	(176)	(731)
- intra group	-	-	(2,627)	(1,834)	(4,461)
At 31 March 1996	<u>242</u>	<u>4</u>	<u>2,514</u>	<u>2,119</u>	<u>4,879</u>
Accumulated depreciation					
At 1 April 1995	35	3	3,185	2,976	6,199
Charge for the year	5	-	575	256	836
Disposals - third party	-	-	(539)	(169)	(708)
- intra group	-	-	(1,625)	(1,235)	(2,860)
On group additions	-	-	69	-	69
At 31 March 1996	<u>40</u>	<u>3</u>	<u>1,665</u>	<u>1,828</u>	<u>3,536</u>
Net book value					
At 31 March 1996	<u>202</u>	<u>1</u>	<u>849</u>	<u>291</u>	<u>1,343</u>
At 31 March 1995	<u>207</u>	<u>1</u>	<u>1,715</u>	<u>659</u>	<u>2,582</u>

Included in fixed assets are fully depreciated assets with an original cost of £2,547,000.



NOTES TO THE ACCOUNTS
Year ended 31 March 1996

11. STOCKS

	1996 £'000	1995 £'000
Raw materials and consumables	38	85
Machines, spare parts and repaired equipment	3	8
Stationery and computer consumables	40	41
	<u>81</u>	<u>134</u>

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

	1996 £'000	1995 £'000
Trade debtors	4,712	9,273
Amount owed by ultimate parent company	5,375	5,944
Amount owed by fellow subsidiaries	238	82
Other debtors	3	15
Deferred tax (note 13)	7	-
Prepayments and accrued income	426	268
	<u>10,761</u>	<u>15,582</u>

13. DEFERRED TAXATION

	1996 £'000	1995 £'000
Balance at 1 April 1995	-	-
Current year credit	(7)	-
Balance at 31 March 1996	<u>(7)</u>	<u>-</u>

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

	1996 £'000	Provided 1995 £'000	1996 £'000	Not provided 1995 £'000
Short term timing differences	(7)	-	-	-
	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1996

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
	£'000	£'000
Trade creditors	222	888
Amounts owed to ultimate parent company	1,233	1,993
Amounts owed to fellow subsidiaries	749	479
Corporation tax	364	771
Other taxes and social security	271	536
Accruals	814	1,358
	<u>3,653</u>	<u>6,025</u>

15. CALLED UP SHARE CAPITAL

	1996	1995
	£'000	£'000
Authorised 5,000,000 (1995 - 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Called up, allotted and fully paid 5,000,000 (1995 - 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 1995	8,477
Retained loss for the financial year	(4,118)
Goodwill written off	(30)
Balance at 31 March 1996	<u>4,329</u>

17. FINANCIAL COMMITMENTS

	1996	1995
	£'000	£'000
Capital commitments		
Authorised but not yet contracted for	<u>241</u>	<u>73</u>

18. CONTINGENT LIABILITIES

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

**NOTES TO THE ACCOUNTS****Year ended 31 March 1996****19. 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 5 to the accounts.

20. 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 21 to the accounts.

21. 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.