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International



Company Registration No. 251293

OFFICE CLEANING SERVICES LIMITED

Report and Financial Statements

31 March 1997

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



**REPORT AND FINANCIAL STATEMENTS 1997**

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. P.G. Goodliffe - Chairman
Mr. O.W. Weisflog - Managing Director
Mr. A. Bruter
Mr. J. Rathbone
Mr. M. Willmott

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 1997.

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

With the restructuring of the Company completed during last year, the results to 31 March 1997 reflect the first full twelve month trading period for the Company in its new form. Two significant national contracts were gained this year and the commercial cleaning and support services activities showed an improved performance. As a result, profits moved ahead and the directors are optimistic for further improvements 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 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 £3,750,000 (1996 - £5,000,000) has been paid during the year.

The directors do not recommend the payment of a final dividend (1996 - £nil).

DIRECTORS

The directors who served during the period were as follows:

Mr. P.G. Goodliffe	Chairman
Mr. O.W. Weisflog	Managing Director
Mr. A. Bruter	(Appointed 27 March 1997)
Mr. C.R. Harvey	(Resigned 23 May 1997)
Mr. J. Rathbone	
Mr. A. Stokes	(Resigned 27 March 1997)
Mr. M. Willmott	

Having been appointed during the year, Mr. A. Bruter 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 1997 or 31 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. O.W. Weisflog has an interest in 500 (1996 - 500) employee shares of 10p each of O.C.S. Group Limited, the ultimate parent company, at 31 March 1997.

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, 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 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.


DIRECTORS' REPORT

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

22nd August 1997

**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.



Chartered Accountants

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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 affairs of the Company as at 31 March 1997 and of the loss 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

8th September, 1997.


PROFIT AND LOSS ACCOUNT
Year ended 31 March 1997

	Note	1997 £'000	1996 As restated (see note 3) £'000
TURNOVER	2, 3, 4		
Continuing operations		44,620	41,103
Discontinued operations		-	9,012
Total turnover		44,620	50,115
Cost of sales	3,4	(35,658)	(39,855)
GROSS PROFIT	4	8,962	10,260
Administrative expenses	4	(7,559)	(9,051)
OPERATING PROFIT	4,5		
Continuing operations		1,403	1,244
Discontinued operations		-	(35)
Total operating profit		1,403	1,209
Interest receivable	8	39	31
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,442	1,240
Tax on profit on ordinary activities	9	(497)	(358)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		945	882
Dividends paid	10	(3,750)	(5,000)
RETAINED LOSS FOR THE YEAR TRANSFERRED FROM RESERVES	17	(2,805)	(4,118)

All the activities derive from continuing operations.

There are no recognised gains or losses nor movements in shareholders' funds for the current and preceding financial years other than as stated above.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**
Year ended 31 March 1997

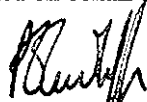
	1997 £'000	1996 £'000
Profit for the financial year	945	882
Dividends	(3,750)	(5,000)
Goodwill written off	(190)	(30)
Net reductions in shareholders' funds	<u>(2,995)</u>	<u>(4,148)</u>
Opening shareholders' funds	9,329	13,477
Closing shareholders' funds	<u><u>6,334</u></u>	<u><u>9,329</u></u>

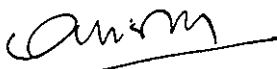


BALANCE SHEET
31 March 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	11	1,090	1,343
CURRENT ASSETS			
Stocks	12	125	81
Debtors	13	9,196	10,761
Cash at bank and in hand		573	797
		9,894	11,639
CREDITORS: amounts falling due within one year	15	(4,650)	(3,653)
NET CURRENT ASSETS		5,244	7,986
TOTAL ASSETS LESS CURRENT LIABILITIES		6,334	9,329
CAPITAL AND RESERVES			
Called up share capital	16	5,000	5,000
Profit and loss account	17	1,334	4,329
EQUITY SHAREHOLDERS' FUNDS		6,334	9,329

These financial statements were approved by the Board of Directors on 22nd August 1997
Signed on behalf of the Board of Directors


P.G. Goodliffe
Director


O.W. Weisflog
Director

**NOTES TO THE ACCOUNTS**

Year ended 31 March 1997

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:

Freehold property	-	2% per annum
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 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. 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.

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 1997

3. PRIOR YEAR ADJUSTMENT

The prior year adjustment reflects a change in accounting for work performed by a number of O.C.S. Group Limited companies, but for which the customer is invoiced by Office Cleaning Services Limited.

Until 31 March 1996, only those amounts invoiced that related to work performed by Office Cleaning Services Limited were included within Turnover.

From 1 April 1996, the total amounts invoiced by Office Cleaning Services Limited are included within Turnover. The amounts relating to work performed by other O.C.S. Group companies are included within Cost of Sales.

The effect of the prior year adjustment is to increase Turnover and Cost of Sales for the year ended 31 March 1996 by £5,900,000. The adjustment is a reclassification and has no effect on prior year profit.

4. ANALYSES OF CONTINUING AND DISCONTINUED OPERATIONS

	1997	1997	1997	1996	1996	1996
	Continuing	Dis-	Total	As restated	Dis-	As restated
	£'000	continued	£'000	Continuing	continued	Total
		£'000		£'000	£'000	£'000
Turnover	44,620	-	44,620	41,103	9,012	50,115
Cost of sales	(35,658)	-	(35,658)	(32,553)	(7,302)	(39,855)
Gross profit	8,962	-	8,962	8,550	1,710	10,260
Administrative expenses	(7,559)	-	(7,559)	(7,306)	(1,745)	(9,051)
Operating profit/(loss)	1,403	-	1,403	1,244	(35)	1,209

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.

5. OPERATING PROFIT

	1997	1996
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation		
- Owned assets	641	836
Auditors' remuneration		
- Audit fees	19	25
Profit on disposal of fixed assets	(58)	(93)



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

6. DIRECTORS' EMOLUMENTS

	1997 £'000	1996 £'000
Remuneration of the directors included in staff costs were as follows:		
Management remuneration	299	334
The emoluments, excluding pension contributions, of directors were as follows:		
Highest paid director	76	70

The accrued pension entitlement at 31 March 1997 of the highest paid director was £16,900.

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

7. INFORMATION REGARDING EMPLOYEES

	1997 No.	1996 No.
The average number, including directors, employed by the Company within each category of persons, was:		
Operations	7,390	9,105
Sales	17	17
Administration	102	105
	<u>7,509</u>	<u>9,227</u>
Staff costs incurred during the year in respect of these employees, including directors, were:		
	£'000	£'000
Wages and salaries	26,825	32,696
Social security costs	1,257	1,377
Other pension costs	286	350
	<u>28,368</u>	<u>34,423</u>

8. INTEREST RECEIVABLE

	1997 £'000	1996 £'000
On amounts owed by ultimate parent company	39	31


NOTES TO THE ACCOUNTS
Year ended 31 March 1997
9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
United Kingdom corporation tax at 33% (1996 - 33%)	486	365
Deferred taxation	(8)	(7)
Adjustment in respect of prior years	19	-
	<u>497</u>	<u>358</u>

10. DIVIDENDS PAID

	1997 £'000	1996 £'000
Interim dividend paid	<u>3,750</u>	<u>5,000</u>

All dividends paid or proposed are in respect of equity shares.

11. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Short leasehold properties £'000	Motor vehicles £'000	Plant, equipment, fixtures and fittings £'000	Total £'000
Cost					
At 1 April 1996	242	4	2,514	2,119	4,879
Additions - third party	-	-	406	215	621
- group	-	-	47	-	47
Disposals - third party	(242)	-	(461)	(75)	(778)
- group	-	-	(22)	-	(22)
At 31 March 1997	<u>-</u>	<u>4</u>	<u>2,484</u>	<u>2,259</u>	<u>4,747</u>
Accumulated depreciation					
At 1 April 1996	40	3	1,665	1,828	3,536
Charge for the year	3	-	458	180	641
On group additions	-	-	39	-	39
Disposals - third party	(43)	-	(423)	(74)	(540)
- group	-	-	(19)	-	(19)
At 31 March 1997	<u>-</u>	<u>3</u>	<u>1,720</u>	<u>1,934</u>	<u>3,657</u>
Net book value					
At 31 March 1997	<u>-</u>	<u>1</u>	<u>764</u>	<u>325</u>	<u>1,090</u>
At 31 March 1996	<u>202</u>	<u>1</u>	<u>849</u>	<u>291</u>	<u>1,343</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

12. STOCKS

	1997 £'000	1996 £'000
Raw materials and consumables	125	81

At 31 March 1997 and 1996 there was no significant difference between the replacement cost of stocks and the amounts at which they are stated in the financial statements.

13. DEBTORS

	1997 £'000	1996 £'000
Trade debtors	5,448	4,712
Amount owed by ultimate parent company	3,093	5,375
Amount owed by fellow subsidiary undertakings	100	238
Other debtors	43	3
Deferred tax asset (note 14)	15	7
Prepayments and accrued income	497	426
	<u>9,196</u>	<u>10,761</u>

14. DEFERRED TAXATION

	£'000
Balance at 1 April 1996	(7)
Current year credit	(8)
Balance at 31 March 1997	<u>(15)</u>

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

	Provided		Unprovided	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Short term timing differences	<u>(15)</u>	<u>(7)</u>	<u>-</u>	<u>-</u>



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £'000	1996 £'000
Trade creditors	212	222
Amounts owed to ultimate parent company	1,595	1,233
Amounts owed to fellow subsidiary undertakings	1,302	749
Corporation tax	486	364
Other taxes and social security	311	271
Accruals and deferred income	744	814
	<u>4,650</u>	<u>3,653</u>

16. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised 5,000,000 (1996 - 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 (1996 - 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

17. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 April 1996	4,329
Retained loss for the year	(2,805)
Goodwill written off	(190)
	<u>1,334</u>
Balance at 31 March 1997	<u>1,334</u>

18. FINANCIAL COMMITMENTS

	1997 £'000	1996 £'000
Capital commitments		
Contracted for but not provided	<u>58</u>	<u>-</u>

19. CONTINGENT LIABILITIES

The Company has entered into unlimited cross-guarantees in respect of borrowings by certain Group companies. At 31 March 1997 the borrowings outstanding were £nil (1996 - £nil). The Company has issued guarantees and warranties in the normal course of business.

**NOTES TO THE ACCOUNTS****Year ended 31 March 1997****20. 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.

21. 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 was made as at 31 March 1994, (a valuation of the O.C.S. Group Staff and Assurance Scheme as at 31 March 1997 is currently underway), are given in the financial statements of O.C.S. Group Limited.

Pensions costs for the period are disclosed in note 7 to the accounts.

22. 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.