Company Registration No. 03056469

OCS GROUP UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2021

OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

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OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R.J. Taylor
S.J. Harris
I.T. Goodliffe

COMPANY SECRETARY

S.P. Thorn-Davis

REGISTERED OFFICE

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Kelvin Lane
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BANKERS

HSBC Bank plc, London
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INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London

OCS GROUP UK LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of facilities services.

BUSINESS REVIEW

Despite the challenges presented once again by the COVID-19 pandemic, the Company delivered a strong performance in 2021, ahead of management's expectations going into the year. Our market-led approach and strategy necessitated some tough choices in response to the ongoing pandemic, albeit on a much smaller scale than in 2020. We are pleased to exit the year as a strong and financially stable, net debt free business and having continued to protect as many jobs as possible in our business.

Living our values of Care, Safety, Trustworthy and Expert, we recognised that in navigating the pandemic it was critical to look after one another. Leaders, managers and colleagues across our business have taken the time to care for one another in a year that has been incredibly stressful for so many. Our focus on colleague safety and wellbeing was not only the right thing to do but enabled us to provide great service to our clients. It is the values and behaviours of our exceptional teams working in partnership with our clients that ensured 2021 was a successful year which everyone in the business could be proud of. Our colleagues are the heart of our business, and their work is an inspiration to all of us.

During the year the Company has leveraged its expertise, heritage, and values to provide clients with critical and essential cleaning, security and other services, and continued to evolve in order to meet the changing needs of our clients. During the year we saw increased demand for our essential services, particularly in our healthcare and government sectors. In other sectors such as retail, venues and aviation, the business continued to be impacted by national government restrictions and the closure of borders. We demonstrated during these challenging times that the business could flex its cost base quickly to changing demand, improve productivity and manage resources successfully, as well as benefitting from any new opportunities presenting. The Company also successfully retained significant contracts across both private and public sectors whilst adding new contracts and expanding our services into new markets. We were pleased with the relatively low level of contract losses in year and to receive consistent positive feedback from our clients confirming our growing reputation for providing trusted and expert services in both day-to-day operations and in times of crisis.

During the year, the Company, aligned with the launch of the Group sustainability strategy, made a net zero carbon pledge, with a commitment to achieve net zero by 2040, underpinning our commitment to building a better future and expanding on the considerable work we have already done to reduce our environmental impact and advance social mobility across the business.

Our supply chains have continued to be well managed. The response to the pandemic by our procurement teams has been excellent and has focused on carefully coordinating and sourcing essential supplies including staff personal protective equipment (PPE) at the right time and quality, to keep our staff protected. We have observed the rising global energy costs, partly driven by the conflict in Ukraine, and will look to procure tactically to mitigate these price increases as far as possible. The Company does not have a significant property footprint and will look to optimise cost recovery where possible.

Our technology and processes have supported remote working, enabling office-based colleagues to work effectively from home. We have also continued to invest in prevention tools and in anomaly detection in the area of cyber-crime.

Another year of pandemic impact has proved without a doubt that the Company is an agile and resilient business and while the situation remains dynamic, we look ahead with confidence. We have a clear purpose as an essential and critical service provider, with high levels of control and governance and we are proud to provide essential services into a broad range of businesses.

The Company is well positioned for the future and will continue to adapt to changing markets and environments to make the most of the opportunities for growth in its priority sectors, continuing to provide consistent and reliable support for our clients and grow with them as the global economy recovers. Financial projections to 2024 demonstrate that the Company will maintain its strong financial position, with good levels of liquidity.

FINANCIAL REPORT

Details of the results for the year are set out in the profit and loss account on page 24. The financial position at the year-end is set out in the balance sheet on page 25.

Turnover in year was £461.0m (2020: £429.8m). As a percentage of turnover, gross profit of £54.8m (2020: £43.9m) was 11.9% (2020: 10.2%) reflecting the mix of contracts in the portfolio. Administrative expenses increased to £39.9m (2020: £35.7m) and operating profit before exceptional items grew to £14.9m (2020: £8.5m). Operating profit after exceptional items was £15.4m (2020: £3.6m) and profit after taxation was £19.6m (2020: £3.8m).

The Company had year-end cash balances of £53.7m (2020: £44.3m), increasing despite the payment of 2020 deferred VAT of £15.0m in the year. The stringent management of cash, whilst meeting all obligations, continues to be a source of strength for the business.

REVIEW OF OPERATIONS

The UK business has gone from strength to strength, with a 40% growth in EBITDA from prior year despite the challenging conditions and exceeded expectations set at the start of the year. This is a significant achievement in the circumstances and largely reflective of the Company's critical service sector presence and decisions taken in 2020 to strengthen the business by restructuring harder hit sectors such as aviation to match the reduced demand levels.

A strong bidding and sales engine with appropriate financial bid disciplines supported retention and generation of new business, resulting in overall net contract portfolio growth of the business over the year. The Company continues to be quick to respond to offer new services or to help both new and existing clients manage the impacts of the pandemic on their own businesses. Relationships with clients have deepened even further, as reflected in improvement on the already excellent Net Promoter Survey scores, putting the business in a strong position to leverage the additional business expected to enter the market in 2022. Resourcing pressures emerging in the market towards the end of the year have not impacted the ability of the business to provide service to clients and management have confidence in this position continuing into 2022. Cash management is a strength of the business, outperforming targets set at the start of the year. This included payments of VAT deferred from 2020 as scheduled. The Company and its clients benefited from the government's furlough initiative until the end of September 2021, which helped retain staff while demand for services in some sectors remained low.

Overall, the Company performed extremely well during the year and is now set to grow further as levels of demand return in sectors most impacted by COVID-19 and the market for new business opportunities increases as potential clients resume normal procurement cycles.

KEY PERFORMANCE INDICATORS

The Company's Key Performance Indicators (KPIs) remained financially focused in 2021 given the importance of demonstrating successful management of the pandemic-induced economic pressures which continued in the year. EBITDA was the Company's primary profit measure in the year as it provides a close linkage to cash performance (when cash is normalised for significant payment deferrals):

- EBITDA (operating profit before exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was £18.8m (2020: £13.4m) as detailed in note 6.
- Debtor days (trade debtors as a percentage of annualised turnover) were 20.9 days (2020: 25.1 days).

The Company's financial KPIs reflect performance in line with our strategic plan objectives and reflect the continued focus on robust credit control and cash collection.

FUTURE DEVELOPMENTS

Although the growth agenda was temporarily slowed in certain sectors by the pandemic in the last two years, the strategy defined in 2018 remains valid and was refined in the 2022 budget and two-year plan to 2024. Management teams worked diligently to further increase market understanding and how each sector would be expected to develop. This has enabled informed choices about the services and sectors where the Company can win and further develop value propositions for current and future clients.

The speed of recovery of the hardest hit sectors such as aviation and venues remain the Company's principal uncertainty, but with the robustness of other sectors, the critical services provided by the business and restrictions being lifted in early 2022, along with a reduced appetite of the UK government to implement further lockdowns following the lower impact of the Omicron variant on the population's health, the Company looks to the future with confidence that the growth strategy can be delivered. The Company has the financial stability and strategic options available to accelerate and augment further value creation as required.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board's approach to risk identification and risk management and the most significant identified risks that threaten the delivery of the Company strategy are discussed in the Directors' Report within Principle Four of the Corporate Governance Report. Further details on financial risks are given below.

Financial risks

The Company's treasury activities are managed by the ultimate parent company O.C.S. Group Limited's centralised treasury function. Liquidity and interest rate risks are therefore managed on a Group basis and are discussed in the Group's annual report, which does not form part of this report.

The Company has no material foreign exchange risk exposure.

The Company's credit risk is primarily attributable to its trade debtors which are stated net of provisions for doubtful debts and there is therefore a continuous focus on robust credit control and cash collection. The credit risk on liquid funds is minimal as the Company uses established banks with good credit ratings. The Company has no significant concentration of credit risk, with exposure spread over a large number of clients and sectors.

The Company's exposure to commodity price risk is limited, being restricted primarily to fluctuations in fuel and energy prices. The procurement function actively monitors contractual price inflation and is the primary mechanism for supplier contract negotiation.

STAKEHOLDER RELATIONSHIPS

The Company's approach to engaging with all stakeholders, including employees, the community, the environment and health & safety matters are discussed in the Directors' Report.

The Company has some 16,000 employees and as a people business the Company is a significant employer in the UK.

The Company has the scale and opportunity to make a significant and positive contribution to the communities in which it operates and the environment. The Board takes that commitment very seriously as reflected in the Group sustainability strategy (as it relates to the Company) published in the year.

The Company's Board has adopted the Wates Corporate Governance Principles for Large Private Companies as its corporate governance model, which is consistent with the approach taken by the Company's ultimate parent company, O.C.S. Group Limited.

In adopting the Wates Principles, the Directors of the Company present how they have applied the six principles and how the Directors have had due regard to stakeholder engagement, as required under section 172 of the Companies Act 2006 within the Directors' report on pages 13 to 18.

This Strategic Report is approved by the Board of Directors and signed on behalf of the Board.

R.J. Taylor
Director

6 April 2022

OCS GROUP UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for year ending 31 December 2021.

The Strategic Report on pages 2 to 4 contains a fair review of the Company's business and a description of the principal financial risks and uncertainties facing the Company. Information ordinarily required to be included in the Directors' Report covering financial risk management and an indication of likely future developments in the business has been referred to in the Strategic Report.

CORPORATE GOVERNANCE

The Company's Board ("the Board") has adopted the Wates Corporate Governance Principles for Large Private Companies as its corporate governance model, which is consistent with the approach taken by the Company's ultimate parent company, O.C.S. Group Limited.

In adopting the Wates Principles, the Directors of the Company present how they have applied the six principles and how the Directors have had due regard to stakeholder engagement, as required under section 172 of the Companies Act 2006 within the Directors' report on pages 13 to 18.

Principle One - Purpose and Leadership

The OCS Group is a fifth generation 122-year-old family-owned business, delivering essential and critical facilities services including security, cleaning, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services.

The Company is a wholly owned subsidiary of O.C.S. Group Limited. It operates within the UK providing facilities services within six different industry sectors ("the Sectors"), namely:

- Aviation and Gateways
- Destinations and Venues (including retail and stadiums)
- Business and Industry
- Specialist Services
- Government
- Healthcare and Education

O.C.S. Group Limited carried out a shareholder consultation exercise during the year which built on a full review undertaken in 2016. Following the review, the shared purpose (the "Shared Purpose") agreed with shareholders remains the same and the Board believe it sits well within the Wates Principles and is summarised as:

- Generate consistent, sustainable returns in line with industry peers from the portfolio of businesses in the OCS family. These returns will come from both income and capital growth, with consistent income generation of primary importance.
- Manage the business within an agreed level of debt and risk, thereby ensuring its safe passage to future family generations.
- Operate with sustainable core values that will deliver the desired future. These values are based on sound ethical principles and recognising our responsibilities for colleagues, the communities in which we operate and the environment.
- Progressively build the OCS brand internationally so that we are famous for being a family-owned business, which is a great place to work and delivering great service. This is the OCS way.

The Company adopts the above principles in so far as they are relevant to the business.

In light of the risks and opportunities identified and in line with the common Shared Purpose of having a sustainable business, the Company's strategy is to continue to focus on having a strong market presence across the Sectors identified above, working towards sustainable growth. Systems improvements, process enhancements and actions across the human resources/leadership agenda have continued to be progressed. The strategy for the Company has been developed in conjunction with and with the support of O.C.S. Group Limited. The Company Chief Executive and Company Secretary are both part of the O.C.S. Group Limited Executive Leadership Team (the "ELT") and, as such, communicate regularly with the ultimate parent company.

Making focused future investment choices against clear facts and market analysis has been particularly important during the pandemic. In light of the impact of the worldwide COVID-19 pandemic in March 2020 the OCS Group formed a Project Management Office (PMO) Chaired by OCS Group Chief Executive Officer. The first priority of the PMO being the safety and well-being of its employees, many of whom work on the front line performing essential and highly valued tasks in healthcare, government and other critical environments. The importance and value our clients place on our services has been strongly evident during the crisis and we expect this to be retained into the future, underpinning the confidence we have in the longer-term prospects of the Group.

The purpose of the PMO has been and continues to be to support and coordinate the OCS Group response to COVID-19 with these activities being incorporated as business-as-usual matters. The key areas being:

Economic impacts	**Business impacts**	**Stakeholders**
Financial performance	Business continuity	Employees
Liquidity, treasury and cash	Legal and specific contract impacts	Clients
Restructuring	Supply chain health	Government
Fiscal incentives	Sales fightback	Suppliers
	HR	Board and shareholder

Through reports and presentations made to the Board during the year, this approach has enabled the Board to monitor the key operational and financial impacts.

Shared Purpose

In support of the Shared Purpose, the following OCS core values ("the Values") guide everything OCS does, and everything OCS does not do. The Company has embraced the Values as they represent OCS at its best:

- Care
- Safety
- Trustworthy
- Expert

The Company has embraced the Values as they represent OCS at its best. By living the Values, the Company focuses not just on what it does for its clients but how it is done, delivering great service that demonstrates care, safety, trust and expertise time after time. The Company celebrates those who place the Values at the heart of their day-to-day roles through internal recognition schemes such as the OCS Star Awards. The Company also uses external communication channels, inspiring not only colleagues across the globe, but clients too.

OCS is a people business, and the Company employs some 16,000 employees. The workforce is employed under formal contracts of employment. The Company also uses agency workers and temporary workers, but irrespective of the type of contractual arrangement, our priority is safety and well-being. The Company also supports training and development for all its workforce, and has expanded its e-learning platform, facilitating development opportunities through training, as well as delivering critical modules on health & safety, IT security and the OCS Code of Conduct.

During the COVID-19 pandemic many of our clients have not been in a position to operate their business as normal and as a result during the pandemic we have had at times a number of colleagues unfortunately not working. Through our PMO we tracked the return to work of our colleagues, which occurred at varying degrees and on a phased approach in the different sectors we operate within. Where government grants and incentives have been available, we have used these to support our colleagues. Against this backdrop, due to the impact on many clients, particularly in the aviation and hospitality sectors, it has been necessary to make a number of colleagues redundant, but wherever possible we have tried to find alternative work for our colleagues. Key performance measures for our colleague turnover are reported each month and are included within Monthly Operating Reports.

Our externally facilitated whistleblowing service operated by Safecall is fully embedded in all parts of the Company, which allows our colleagues to report issues via a dedicated free phone number, email, or via Safecall's website. Colleagues can report concerns relating to their working environment in a safe and secure way, including concerns about misconduct, wrongdoing, or unethical practices. In line with our values, we look to create a culture of openness and we actively promote the speak up scheme throughout the business via the Code of Conduct, intranet site, workplace posters and other means. All reports are sent to the Group Company Secretary, Group General Counsel and the Group Director of HR and Corporate Affairs, who ensure appropriate investigations are undertaken in a transparent manner. At each scheduled Audit & Risk Assurance Committee meeting of the OCS Group Board, a paper is presented to the Committee that includes all cases reported in the OCS Group and the actions taken.

DIRECTORS' REPORT (continued)

Principle Two - Board Composition

The Directors who served in the year and up to the date of this report are as follows:

Robert Taylor	Chief Executive Officer and Chairman since 2016
Simon Harris	Finance Director
Ian Goodliffe	Health, Safety, Quality and Environment Director

The Company Secretary is Scott Thorn-Davis.

Robert Taylor

Robert Taylor joined the Company in April 2014 to grow its presence in the public sector and in healthcare. He has played a key role in restructuring of the UK business. In 2016, he was appointed the UK Chief Executive Officer, adding Ireland and the Middle East to his portfolio in 2018.

Simon Harris

Simon Harris has over 20 years' experience in the facilities management and logistics sectors. He joined the Company in July 2017 as Commercial Finance Director for the Business & Industry and Specialist Services divisions. He was appointed as Finance Director for UK, Ireland and Middle East in September 2020.

Ian Goodliffe

Ian Goodliffe is one of the great-grandsons of our founder, Frederick Goodliffe. He joined the Company in 1979 and worked across several sectors before specialising in Health & Safety.

Board Effectiveness

The Board is collectively responsible to its sole shareholder, OCS Group International Limited, for ensuring the long-term success of the Company and developing the Company's overall strategy. The Board is also responsible for monitoring the Company's performance and for ensuring that prudent and effective controls are in place to assess risk appetite and manage risk.

The Chairman takes responsibility for leading the Board and ensuring that it functions effectively promoting open debate and facilitating constructive discussion. The Board considers that the balance of relevant experience amongst the various Board members should enable it to exercise effective leadership and control of the Company.

There are two scheduled meetings in the year at which the Board reviews all significant aspects of the Company's activities and makes decisions in relation to those matters which are specifically reserved to the Board such as approval of the annual statutory accounts. There are certain standing items on the agenda that are considered at every Board meeting, namely:

- Health, Safety, Quality and Environment
- Finance, Commercial and Risk
- Technology, Business Efficiency and Procurement
- Human Resources
- Legal Update

Additional meetings of the Board are held as and when required.

For each Board Meeting there is a formal agenda with supporting papers issued in advance of each meeting. The Directors receive regular updates on the Company's financial performance and also receive Monthly Operating Reports which provide comprehensive information on the performance of each Sector and support function. These updates and reports enable the Directors to monitor and challenge the performance of the Company and make informed decisions. The Company Risk Register is formally reviewed twice a year by the Board.

The Board considers that this schedule of planned and ad hoc meetings is appropriate and effective in circumstances where the three Directors are also members of the Executive Committee (see below).

DIRECTORS' REPORT (continued)

The Chief Executive develops the Company strategy in line with the overall strategy agreed with the ultimate parent company and the Executive Committee ("the ExComm") have responsibility for implementing and delivering the Company strategy, together with responsibility for the day to day running of the Company. The ExComm meets every month and has conference calls between meetings if circumstances dictate. The current ExComm comprises:

Bob Taylor	Chief Executive
Simon Harris	Finance Director
Tony Crilly	HR Director UK, Ireland & Middle East (appointed 10 November 2021)
Ian Goodliffe	Health, Safety, Quality and Environment Director
Steve Caddell	Procurement Director
Jason King	IT Director
Scott Thorn-Davis	Company Secretary and Group General Counsel
Jon Fowler	Managing Director of Business & Industry and Specialist Services
Chris Morris	Managing Director of Destination & Venues
Sheila Newton	Managing Director of Government
Ian Nisbet	Managing Director of Healthcare & Education and Middle East
Aine Mulcahy	Managing Director of Aviation & Gateways and Ireland
Titus Dijkstra	Director of Programs and Change
Gavin Wainer	Strategic Sales Director (appointed 1 December 2021)

The Board monitors the performance of the ExComm and keeps the strategy under review.

Under the terms of a Scheme of Delegated Authority implemented by the ultimate parent company, many of the decisions of the Board are delegated to the ExComm whose members include the three statutory Directors.

The Company maintains Directors' and Officers' liability insurance cover and has provided qualifying third-party indemnities for the benefit of the Directors in the year and up to the date of this report.

Appointment and Reappointment of Directors

All proposed appointments and reappointments are formally considered by the Company's ultimate parent company, O.C.S. Group Limited. The Directors do not retire by rotation and may hold office for as long as the Board and the ultimate parent company deems appropriate. Under the Company's Articles of Association, the Directors have power to appoint another Director at any time and from time to time in order to fill a vacancy or as an addition to the Board.

The Company operates Diversity and Equal Opportunities Policies and is committed to promoting equal opportunities in employment and creating an inclusive working environment in which diversity is valued and celebrated. The Company recognises that diversity promotes innovation and business success as each employee brings unique capabilities, experiences and characteristics to the workforce, increasing creativity, flexibility and productivity. The Board does not set predetermined diversity targets for membership of the Board but looks to ensure there is an appropriate balance of expertise and diversity. The Company's attitude to diversity is reflected in the membership of the ExComm.

Board Performance Evaluation

The Board's performance is monitored by its ultimate parent company on an ongoing basis. Each of the individual Directors are subject to annual performance appraisals. The Chairman appraises the two other Directors, and the Chairman himself is appraised by the Chief Executive of O.C.S. Group Limited.

The Board believes it has the balance of skills, backgrounds, experience and knowledge, to perform effectively. All Directors have confirmed that they have sufficient time to devote to the affairs of the Company.

Annual performance appraisals of the ExComm members are undertaken by the Chief Executive to whom they report, save for the Company Secretary (and Group General Counsel) who reports to the Chief Executive of O.C.S. Group Limited. This difference in reporting structure results from the Company Secretary having responsibility for legal matters for both the Company and for the wider OCS Group.

Development

All Directors have access to training to enable them to carry out their duties effectively and can take independent professional advice in furtherance of their duties if necessary.

Principle Three - Director Responsibilities

Board accountability

The Board is collectively responsible to its shareholder for ensuring the long-term success of the Company, together with the overall strategy, management, direction and control. It is also responsible for monitoring the Company's performance and for ensuring that prudent and effective controls are in place to manage risk in line with the OCS Group's risk appetite. The Board along with its ultimate parent company sets the Company's values and standards to ensure its obligations to its various stakeholders are met.

The Chairman takes responsibility for leading the Board and ensuring that it functions effectively, promoting open debate and facilitating constructive discussion. The Chief Executive together with the OCS Group board, the Board and the ExComm, are responsible for the development of the Company's strategy. The Chief Executive has responsibility for delivery of the strategy together with all aspects of the operation and management of the Company.

The Board considers that the balance of relevant experience amongst the various Board members, should enable it to exercise effective leadership and control of the Company. Whilst not operating a formal committee structure, specific smaller groups report back to the Board in relation to certain delegated powers.

Nomination and Succession

Nominations for Directors' appointment and reappointments are made collectively by the Board and then ratified by the ultimate parent company. These appointments are made taking into account the need for ensuring that the membership and composition of the Board has the necessary diversity, balance of the skills, competencies and attributes required to lead the Company.

For the ExComm, the HR Director and the Chief Executive have led a project to ensure that each Sector and support function has a full succession plan in place. These plans are reviewed by the ultimate parent company as part of a Group wide succession programme.

Remuneration

The Company's remuneration policy is to provide executive remuneration packages which are designed to attract, motivate and retain directors of high calibre and to reward them for enhancing the value of the business. A small group comprising the Chief Executive, the Finance Director, the HR Director and the Head of Reward, Pensions and Benefits meet to consider appropriate remuneration packages, guided by the Company policy. The ultimate parent company approves the remuneration of the ExComm.

Audit and Risk Assurance

The Finance Director maintains the Company's risk register which is shared with the Company's external auditors. The activities of the Company are also monitored by the Head of Risk & Internal Audit who reports directly to the ultimate parent company's Group Finance Director and by the Group Audit & Risk Assurance Committee which meets at least three times per year at appropriate times in the financial reporting and audit cycle and otherwise as required. The external auditor of the Company is Deloitte LLP. The Board takes seriously its responsibility to put in place safeguards to ensure the independence, objectivity and effectiveness of external audit. The ultimate parent company has a formal policy in place to cover the use of the external auditor and for obtaining approval on the use of the auditor for non-audit work which is followed by the Board.

Conflicts of Interest

The Articles of Association of the Company set out how a Director shall not infringe his duty to avoid a conflict situation and the process to be followed if the situation arises. Directors declare any conflicts of interest at each meeting of the Company.

Relations with shareholder

As set out under Principle Two, the Company is accountable to its sole shareholder, OCS Group International Limited. The Company Chief Executive and Company Secretary are both part of the ultimate parent company Executive Leadership Team ("ELT") which meets on a regular basis and has scheduled conference calls between meetings. The Company Chief Executive provides monthly operating and financial reports to the ELT.

DIRECTORS' REPORT (continued)

Principle Four - Opportunity and Risk

The guidance supporting the Wates Principles states "A board has responsibility for an organisation's overall approach to strategic decision-making and effective risk management (financial and non-financial), including reputational risk. This requires oversight of risk and how it is managed, and appropriate accountability to stakeholders. The size and nature of the business will determine the internal control systems put in place to manage and mitigate both emerging and principal risks. Some companies may decide to delegate to a committee to oversee such matters". It also specifies: "A board should consider and assess how the Company creates and preserves value over the long-term. This requires boards to consider both tangible and intangible sources of value, and the stakeholders that contribute to it. This should include processes for the identification of future opportunities for innovation and entrepreneurship. Such opportunities may often be dependent on an agreed risk appetite and the Company's long-term strategy and prospects. It may also include processes for ensuring that new business opportunities of a certain value are considered and approved at board level".

Risk identification

The Board and the ExComm regularly review the risks faced by the business. Formal risk register review meetings are held four times a year by the ExComm and once a year by the Board. The Company Risk Register sets out clearly the likelihood and impact of each risk, with impact rating ranges from "Minimal" to "Catastrophic" and the likelihood from "Remote" to "Probable and Imminent". Accountability is effectively devolved, with each strategic risk assigned to a member of the ExComm. The accountable ExComm member leads on developing mitigation plans for each risk and is also responsible for regularly reporting progress in addressing the risk and for ensuring timely implementation of the agreed risk management actions.

In 2021 the most significant risks identified were:

- risk of failure to attract and retain sufficient appropriately skilled employees due to labour shortages as the economy grows with lifting of COVID-19 related restrictions and localised labour shortages caused by movements in-country (due to the pandemic) or government regulatory changes
- risk of failure to grow contract portfolio at acceptable margins, including sufficient coverage of rising cost inflation, leading to non-delivery of the strategy
- increasing frequency of terrorist attacks, threat of cyber-attack and information security breach
- brand or reputational damage from non-compliance with client requirements in high-profile contracts, or high-risk environments

COVID-19

To manage the OCS Group through the COVID-19 pandemic and recovery phases, a dedicated Project Management Office ('PMO') was established by the Company's ultimate parent company to co-ordinate the response. The PMO connects directly with the Company on the execution of pandemic response by the Company. The role of the PMO has been:

- ensuring business continuity, enacting and adapting relevant plans
- identifying the expected impacts of the pandemic, including how the recovery phases are expected to be realised and mitigating risks to the OCS Group
- working to protect liquidity
- managing changing client requirements and their impacts on colleagues
- co-ordination of the global supply chain response, ensuring continuity of supply of equipment and resources in line with local legislation
- updating the risk register, identifying new risks and deploying immediate action to mitigate their impact
- providing a forum to share ideas and to provide best practice guidance, including that from third parties such as economists, regulatory and government bodies
- driving the demand recovery agenda in a controlled manner, revising value propositions where needed and identifying where commercial investment is required

In addition, a coordinated global sales fightback initiative has continued to ensure that the OCS Group responded appropriately to benefit from opportunities that have presented during the pandemic and to respond to clients' new ways of working. This has been achieved by adapting or enhancing commercial policies and metrics where needed to protect profitability. This has assisted in ensuring an appropriate return on commercial investment and that client requirements have been supported as the situation has changed.

The PMO activity has allowed the Company to identify and to mitigate commercial, operating and financial risks arising from the pandemic. The Key risks that were originally identified and which have been reviewed are:

- **financial resilience**: insufficient liquidity and risk of not fulfilling bank facility covenants
- **employee related risks**: including inability to adapt to new working conditions, availability and continuity of government support, resource planning for sufficiency of labour to fulfil commercial obligations, incapacity of key employees, complying with regulatory and safety requirements in diverse operating territories and the quality and consistency of communication across the whole workforce
- **client impacts**: inability to engage with our client base under appropriate commercial terms and the financial vulnerability of clients in particular sectors
- **revenue levels**: reduction in the short term, a more protracted recovery in some sectors and the impact of longer-term economic recession, offset to some degree by opportunities in sectors with sustained and increasing demand
- **cyber-crime**: increased threat of cyber security breach or fraud
- **supply chain**: disruption to supply chain integrity.

The expected impact on the going concern position of the Company, once consideration of these risks has been taken into account, is described in the Going Concern section of this Directors' Report on page 19.

To improve financial resilience, the Directors instigated a number of mitigating actions in 2020 with many continuing into 2021 to minimise the impact on profitability and cashflow, thereby ensuring sufficiency of liquidity in the period, including:

- some discretionary capital and operating expenditures were postponed or cancelled in 2020
- participation in government grant and tax deferral support schemes where possible and appropriate
- the 2020 short term incentives schemes were structured to reflect changes in the Company's position as a result of the pandemic
- necessary downsizing restructuring has been undertaken in those sectors most badly affected
- increasing our level of focus on working capital management and bad debt control, with enhanced forecasting of liquidity
- ensuring our control, governance and risk monitoring environments are maintained to a high standard, with complete integration to operational workstreams, including a cross reference to the pre-COVID-19 risk register to ensure all risks are addressed concurrently.

Other COVID-19 related impacts on the Company and its stakeholders in year and results of the response to other risks identified, are discussed within this corporate governance report in the relevant sections and in the Strategic Report on pages 2 to 4.

Scheme of Delegation and Bid Governance

The Board operates under the Scheme of Delegated Authority ("SODA") which sets out authorisation levels for matters within defined financial limits. The levels are cascaded down from the Board, with each Sector and Central Function having its own SODA to assist in the effective management of risk.

The Board also operates a Bid Governance Process which sets out certain criteria (both quantitative and qualitative) to determine who should approve bids to ensure that such bids meet the Company's financial, strategic and legal objectives. An Executive Committee of the ultimate parent company is also responsible for signing off Company bids which have an annual value in excess of £10m per annum.

Code of Conduct

An OCS Group Code of Conduct is issued to all employees which summarises the Group's many policies in a simple document to help guide all colleagues in how to go about day-to-day business. It provides the guidelines for ethical conduct and sets out acceptable standards of behaviour. All colleagues within the Company are required to follow this Code of Conduct and this assists in the management of risk.

As explained under Principle One, the Company operates a whistleblowing service operated by a third-party provider which allows employees to report any concerns or wrongdoing anonymously. This forms an integral part of the Company's risk management process, and the Code of Conduct sets out the principles we expect our colleagues to adhere to.

Innovation

The Company recognises that innovation is central to its growth strategy and is continually looking at the use of technology to meet clients' needs. Investment has been made in Centres of Excellence for the key services and sectors in order to share best practice and innovative ideas across the OCS Group.

Principle Five - Remuneration

As the Wates Corporate Governance guidance sets out, appropriate and fair levels of remuneration help companies to secure and retain high-quality Directors, senior management and their workforce. It, further states: "remuneration for Directors and managers should be aligned with performance, behaviours and the achievement of Company purpose, values and strategy. In setting Director and senior management remuneration consideration should be given to remuneration throughout the organisation to reinforce a sense of shared purpose".

In the UK, OCS is the largest privately owned facilities management Company employing some 16,000 employees who are predominately based at client sites providing cleaning, security, catering and other services. As such, the success of the Company is dependent upon its colleagues. The Company has minimum wage obligations as well as pressure for a range of "living wage" levels, and the Company's ability to win and retain business is dependent upon the levels of wages that clients are prepared to pay. Wherever it can, with client support, the Company pays above minimum wage and in its own offices it pays the living wage. The Company takes into account market practice when deciding middle and senior management remuneration, aspiring to be an employer of choice within the Sectors it operates. By treating people with respect and offering future career progression for those who seek this, the Company aims to retain employees and their skills and experience for longer, enabling the Company to achieve its strategy.

As part of the overall annual review of remuneration for senior executives, the HR Director and the Head of Reward, Pensions and Benefits provide the Chief Executive with an overview of the general approach being taken to remuneration for the wider workforce including the approach being taken in UK annual salary reviews.

Throughout the year our primary focus has been to continue the development of our People Proposition to ensure that we are competitively placed to attract labour that we already recognise is within a competitive market. Therefore, focussing on people investment through learning and development and apprenticeship programmes that offer our colleagues and future colleagues the opportunity of a career, has been very much a focus of our people strategy, coupled with introducing additional reward and recognition related schemes. Apprenticeships are available for new recruits and all internal OCS colleagues, whatever the age of the candidate, who meet the eligibility criteria. At OCS, we create new opportunities for those looking for work, as well as developing colleagues with bespoke apprenticeship pathway programmes that reflects our culture and our values.

We currently have some 300 of our colleagues on apprenticeship programmes at varying levels in the business. The candidates will graduate from a range of programmes across the diverse Sectors in our business, with qualifications spanning from level 2 operatives programmes, through level 3, 4, 5, Batchelor Degree and Master's Degree level programmes. An ongoing focus is to continue growing the OCS Apprenticeship programme into an enduring and sustainable people development opportunity.

The gender pay gap between male and female colleagues (6.5% mean, 4.6% median) is a slight increase on the 2020 figures (5.1% mean, 3.1% median) but is significantly lower than the national gender pay gap of 15.4% as reported by the Office of National Statistics in October 2021 for all employees (part time and full time). The Company has undertaken detailed analysis of the data to understand its position, as shown in the report. The Company's reported gender pay gap includes the impact of the breadth of front-line employee roles it has in the UK, and the relative proportion of male and female employees within these different roles.

The Company is committed to making OCS a diverse and inclusive organisation across all roles and is focusing on taking positive actions that encourage colleagues to develop careers within the Company as part of colleague retention initiatives.

Principle Six - Stakeholder Relationships and Engagement

The Wates Principles state: "Directors should foster effective stakeholder relationships aligned to the Company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions".

Also, as set out in section 172(1)(a) to (f) of the Companies Act 2006, the Directors have a duty to promote the success of the Company and Section 172 states:

(1) A Director of a Company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, clients and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between members of the Company.

DIRECTORS' REPORT (continued)

The Board is committed to fostering effective stakeholder relationships which are aligned to the OCS Group's Shared Purpose. As set out under the Shared Purpose section above, it is the Values that will deliver the Company's desired future. The Values operate on sound ethical principles, recognising responsibilities for colleagues, the communities in which the Company operates and the environment.

Suppliers

We proactively work with our supply chain to understand how we can develop our services in order to reduce cost, increase productivity and maximise service outcomes. Importantly, we are working hard to limit the negative impact on our world, while driving the positive impact on the communities we serve, the stakeholders we engage and wider society in general. We believe in genuine and authentic collaboration with our supply chain and feel it is critical for our mutual success. To enable this, we ask all partners in our supply chain to sign up to and observe our Supplier Charter, governing the way we work and behave and the outcomes we achieve. Our Charter sets out our clear expectations around working in line with our Core Values, including health & safety, modern slavery and anti-bribery. Furthermore, as part of our Procurement Process, suppliers are vetted to ensure that they have suitable policies, processes and systems in place, to deliver maximum value to our clients and stakeholders and satisfy the requirements of our Charter.

Our Charter is supported by our procurement policy and processes, which promote ethical and sustainable procurement and social mobility. We believe in transparency and openness, and, as such, our Charter promotes the ability for any individual working within our supply chain to report, in confidence, if they believe something is not right. This may be that the Supplier Charter is not being observed, corners are being cut or that individuals are being asked to do something which contravenes law, or quite simply, just doesn't feel right. We risk assess our entire supply chain at least twice per year, or more frequently should the market dictate, and use this analysis to allocate procurement resources.

Our work with our partner organisation, the Slave Free Alliance, is helping raise awareness of human rights, in particular modern slavery, and helping to assess, in detail, all suppliers classified as high risk, then supporting the building of improvement action plans. We work with our supply chain to understand how we can reduce the depletion of natural resources and increase the positive societal impact of our operations. We have baselined around 67% of our supply chain against an array of Environmental, Social and Governance metrics, based on those included in the ESGI Global Reporting Initiative and are building co-development plans so that we can make a greater contribution to society.

Clients

The Company provides the essential services to large and small private and public-sector enterprises that keep businesses and societies running day in and day out. We work as a strategic partner to clients across a wide range of market sectors to deliver the highest standard of facilities management solutions and we tailor our services to meet the unique demands of each client and to help them to achieve their corporate objectives.

Given the challenging business environment due to the pandemic during the last two years, we have had an unprecedented level of communication with our clients via socially distanced face to face meetings, video calls, emails and WhatsApp communications. As the pandemic hit each client, we have worked with them to understand their changing requirements. In some cases these have been a significant reduction in services, particularly in the aviation, hospitality and retail sectors, and in other cases an increase in services particularly in the healthcare and government sectors.

The Company operates the nationally recognised Net Promoter Score ('NPS') system of measuring client experience, which allows the Company to understand how it can improve the services for clients. 2021 produced a score of 80.39, up from 67.31 in 2020. Putting this in context, only 10% of UK brands across all sectors have an NPS score in excess of 40.

In addition, as part of the Company's engagement process, site visits are undertaken which allow management to meet clients together with the colleagues working at clients' premises which assists the Company in understanding the views of clients and staff.

Funders

The Company does not face the same financial risks as other organisations in the facilities services sector due to its low levels of debt and lack of exposure to long term milestone related construction contracts. However, it is important that we have good relationships with all our banks. O.C.S. Group Limited, our ultimate parent company, takes a proactive approach in having a two-way dialogue with the OCS Group's banks to ensure that they are fully aware of our strategy and the development of our business. Throughout the year those banks have been updated on the Group's trading position and how the challengers of the pandemic have been managed. The banks in turn have been very supportive and as reported last year the OCS Group renewed its revolving credit facility with HSBC and Barclays in April 2021 with the facility committed until 30 April 2024. The Company has access to this Facility when and if required.

Employees

Our colleagues continued to encounter significant challenges related to the COVID-19 impact during 2021 and their safety and that of others is paramount in everything we do. Many of our colleagues have been directly, or indirectly, affected by COVID-19 and our thoughts go to their families and friends. Strong, consistent and genuine leadership has guided our approach to health & safety through another difficult year. The senior leadership team has delivered consistent COVID-19 messages about the importance of employee safety, to ensure that colleagues had the right training, knowledge and equipment to complete their duties safely. Regular briefing sessions were held throughout the year and these sessions provided a drumbeat of consistent messaging to our colleagues, clients, and other key stakeholders. Strong partnerships with our suppliers ensured that we maintained good levels of stock and PPE for our colleagues. Mindful of the dynamic environment, a sharp focus was maintained on colleague training so that they could work safely in accordance with the prevailing government guidance.

We maintain strong governance of health and safety across the business. Health & Safety Committees are in place to set objectives, oversee performance and to proactively manage our health and safety environment. This level of oversight provides assurance that we maintain legal compliance, that we meet client expectations and that we deliver our own high standards at all times. We maintain and implement robust HSQE Management Systems many of which are externally verified. The UK HSQE Management System was successfully recertified with the British Standards Institution (BSI) for another three years covering the important ISO Standards of 9001 (Quality), 14001 (Environment) & 45001 (Health & Safety). As well as the on-going BSI assessment programme, other external audits included Achilles UVDB where we successfully scored 100% across all four categories of Health & Safety, Environment, Quality and CSR.

Visible and committed leadership is essential for effective health and safety management. Our overriding principle is that every colleague deserves to go home safe and well at the end of each day. HSQE Action Plans are in place across the Group and these plans are regularly reviewed by senior management to ensure that progress against objectives is measured and that any necessary action is taken. Our continual focus on safety ensures that colleagues are provided with the correct training and tools to enable them to do their job safely, adopting best practice in our work procedures and empowering colleagues to make the right decisions about their safety and that of others. Incident management procedures, including near miss reporting, ensure high levels of scrutiny and the framework necessary to drive to continual improvement.

The wellbeing of our colleagues is important and we look for opportunities to engage and inspire colleagues to have healthier lifestyles. We built on our on-going partnership with Superwellness who delivered four live webinars covering the important issues of nutrition discovery, food for the mind, eight steps to better sleep and winter wellness. We continue to provide support and advice to colleagues through our colleague assistance programmes with access to a 24/7 helpline which facilitates conversations to help identify and resolve personal concerns. The service is entirely confidential and helps us to retain a happier, healthier workforce.

The diversity of the Company's workforce is considered to be a primary strategic strength. The Company offers equal opportunities to all colleagues and applicants regardless of race, creed, sex, ethnic origin, age, or disability. People with disabilities are considered for employment where they have the appropriate skills and abilities to perform a job. Colleagues who become affected by a disability during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation, reasonable adjustment, and retraining.

Even though we know we are a diverse workforce, we also challenge ourselves on how we make our colleagues feel included, so that they can be themselves at work. On our internal training system, OCS Academy, we have Equality and Diversity training available for everyone. Our highly trained managers are taught how to interview without bias and support colleagues to raise issues and suggestions. Our programmes, like People into Work, support people from a huge variety of backgrounds who had potentially considered themselves removed from the workforce. These individuals strengthen our workforce, show us new ways of working and challenge preconceptions. Over the coming year, we are implementing a new HRIS system that will give an accurate picture in terms of data, tracking age, gender, ethnicity and sexual orientation; but numbers do not tell the full story. We provide initiatives to celebrate our differences and demonstrate that no matter our background and skills we all have a part to play in making OCS a great place to work.

As part of our overall approach, we engage with our colleagues in many forms to understand their views. The engagement process begins with induction programmes for new employees, training, compulsory e-learning modules, "Back to the Floor" days by senior management, Toolbox Talks, on the job chats, employee surveys and many other forms. Our colleagues are integral to delivering on the promises we make to our clients. It is therefore vital that we recognise and reward those colleagues who make such an important contribution to our business and place our core values at the heart of their day-to-day activities.

DIRECTORS' REPORT (continued)

The Company operates a scheme called "MyThanks" which gives colleagues across the business the opportunity to recognise the hard work of others in two ways. Firstly, a "MyThanks" Certificate of Appreciation can be given which is an easy and spontaneous way to say 'thank you' to people who have demonstrated the Values and who have performed in an exceptional way when carrying out their duties. We also have a scheme called OCS Stars, which honours the contributions of colleagues who live by our values of Care, Safety, Trustworthy and Expert. The scheme began in the UK in 2018 and since that time we have recognised over 3,500 OCS stars globally. Every month colleagues are nominated by their peers, clients or their line manager for going above and beyond.

We wish to place on record our immense appreciation for the efforts of all our colleagues this year in dealing with the pandemic, especially our frontline colleagues who have carried on providing services to all our clients day in day out in very difficult circumstances.

Shareholders

As stated early in this report, the Company has one sole shareholder, OCS Group International Limited, which in turn is a wholly owned subsidiary of the ultimate parent company O.C.S. Group Limited and the Company engages on a regular basis with its ultimate parent company via regular executive leadership team meetings.

Business Conduct

As a fifth generation 122-year-old family-owned business, sound ethical principles are essential to the on-going success of the Group. These principles are enshrined into the Shared Purpose agreed with shareholders and under the various policies the business operates under. The OCS Group Code of Conduct is designed to help guide colleagues in how we go about our business day to day and give them the support mechanism to report any concerns or wrongdoing anonymously, via our third-party whistleblowing provider. The policies we have in place and the e-learning platforms enable our colleagues to understand our sound ethical principles. The monitoring and review of the effectiveness of the Company's internal controls and risk management systems by both the Board and the OCS Group board's Audit & Risk Assurance Committee is part of the overall oversight of ensuring high standards of business conduct are operated throughout the Company and compliance with section 172 of the Companies Act 2006.

The Community and the Environment

The Community

We place huge importance on our cohesive corporate responsibility and environmental sustainability programme. This enables us to work with a range of stakeholders including clients, suppliers, colleagues, and our ultimate parent company O.C.S. Group Limited to deliver our shared purpose. We believe that the work we do should be sustainable, not just in financial terms, but also in the way we impact upon people, communities and the environment. Therefore, we not only design services that help our clients improve their own environmental impact, but we also work with and invest directly in community and environmental initiatives.

As an example, Our People into Work is a program aimed at bringing meaningful employment opportunities to local people with anticipated outcomes of improved health and well-being and economic gain. From our initial pilot in 2019, we have developed a model of good practice and a holistic, person-centred approach. The program engages with people furthest removed from the workplace, for example, who may be entering the workplace for the first time, returning to work after illness, or who do not have the necessary writing, reading or language skills to find suitable employment. We work with voluntary and community-based organisations to deliver this programme, using their knowledge and expertise through a truly partnership centred approach. The government has strong targets to support more than one million disabled individuals into work by 2027 and our OCS People into Work program is facilitating that goal. Our partner organisations help us understand the barriers disabled people face and how we can better support individuals with their disability or health conditions. Once through the door the journey does not stop there; our managers are trained and given the skills to support people to overcome challenges and re-enforce an inclusive working environment to ensure retention and a positive career at OCS.

DIRECTORS' REPORT (continued)

The Environment

In line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is presenting its second formal report as detailed below.

Directors' sustainability statement

2021 saw an increasing global recognition of the need to tackle man-made climate change, culminating in countries coming together in November for COP 26. At the conference there was a collective desire for a rapid, deep and sustainable reduction in global greenhouse emissions, needed to keep a 1.5-degree target in reach. COP 26 saw more countries committing to a net zero target of 2050, and others with significant challenges setting a date for the first time. As a responsible business, OCS knows that we have a role to play in achieving these ambitions, and as a large employer, we have real power to bring about positive change in the communities in which we operate.

In October 2021, the OCS Group sustainability strategy was published, clearly setting out our commitment to remove greenhouses gasses emitted through our operations. OCS UK committed to a 2040 net zero target as part of this, ten years ahead of the target set out by the UK government.

Trust is one of our core values and our sustainability goals are a genuine commitment to our clients, colleagues, and other stakeholders, that we will take practical steps to reduce our carbon footprint, by working in partnership with them to create a better future for those who follow.

Business risks of climate change

Although the impact of climate change does not present a high risk to the business, we are mindful of the wider impact, and it will have increasing focus as we develop our transition plan to net zero.

Climate change is a key priority for many of our clients and is rightly becoming a criterion for potential clients when determining who they will partner with. Increasingly we are seeing this in government and local authority procurement processes, where climate related requirements now make up to 25% of the scoring.

There is an increased risk to our supply chain, due to more regular extreme weather events, especially around farming, which can impact on food supply and food cost inflation.

An expected increase in climate related regulatory requirements such as the introduction of the Carbon Reduction Plan and Task Force on Climate-Related Financial Disclosure (TCFD) will see additional costs to the business associated with implementing any new legislation. We will start the process of aligning with the 11 TCFD recommendations in 2022, following a management review and gap analysis of our governance, strategy, risk management and metrics, in advance of the mandatory requirements.

The success of our growth strategy depends on the quality of our colleagues, the services they deliver and the decisions they make. Attracting and retaining talent is linked to the appeal of our colleague value proposition. A critical element of this proposition is our environmental credentials, especially with the younger generation who are passionate about their environmental impact and factor this into their search for work opportunities, which is highlighted in the Deloitte Global 2021 Millennial and Gen Z Survey issued in June 2021.

Our sustainability strategy drives our actions across the business that will seek to address all these risks and prepare us for the changes that we may face in the future.

Our commitment to a sustainable future

As a family business, we have always cared about making a difference for the long term, to make improvements that are sustainable, for the communities in which we operate, our colleagues who deliver critical and essential services, and the clients who rely on us every day to support their businesses. Our sustainability strategy has been developed with careful consideration of the role we play in society, the genuine practical steps we can take and a realistic timeframe to execute. The commitments outlined in our strategy have been guided by the work we have done and continue to do, supported by external experts, and with the full commitment of the OCS Group board.

Our strategy focusses on two areas where we are strategically positioned to make a real difference, Environmental Protection and Social Mobility. With the guidance of our external experts and internal business leaders, we have set out clear and measurable commitments to reduce our reliance on natural resources, optimise the sustainability of our supply chain and to work in partnership with our clients and colleagues to have a wider impact.

It is thanks to the hard work of our colleagues, specialist guidance from our experts, and the support from the OCS board, that we were able to make a strong commitment to achieve net zero by 2040. This is a full scope commitment, including scope 1, 2, and all of scope 3. Our net zero commitment will be supported by science-based targets to reduce emissions in line with the Paris agreement goal to limit global warming to 1.5 degrees. We believe that setting science-based targets provides resilience against new regulations, drives innovation and demonstrates our sustainability commitments are authentic.

We will finalise our transition plan for OCS Group Board approval and will submit clear science-based targets in 2022 to achieve net zero by 2040. We are under no illusions that achieving the 2040 target is simple; we recognise that scope 3 is complex and will require us to influence our supply chain and other partners. It cannot be achieved without the engagement of all our colleagues.

Our procurement team have gained agreements with our Tier 1 & 2 suppliers to work together on joint development plans aligned with Environmental, Social and Corporate Governance (ESG) metrics, as part of their operational review board continuous improvement plans. Tier 1 & 2 suppliers make up the majority of our suppliers. Actions from these plans will be a focus throughout 2022.

During 2022 we will continue to embed our commitments and sustainable behaviours into everything we do, through education, training and enhanced policies. We will motivate and support our colleagues to take steps, large and small, to minimise the environmental costs at our clients' sites and to go further than before. We are introducing green product promotions and offers to our OCS colleagues, through our employee portal. Our colleagues are the ambassadors for our strategy, and we cannot achieve our environmental goals without them.

Putting our strategy to action

There is no easy route to the goal of net zero, but we are committed to making this happen and throughout 2021 we have continued to make positive changes to our way of working, making sustainability a default setting in our short, medium, and long-term planning.

As the world starts to emerge from the COVID-19 pandemic, we continue to be considerate, measured and appropriate with our travel, developing our capabilities to do more, using technology rather than face to face where possible. Transitioning our fleet to electric and hybrid alternatives is a key requirement in our plan to achieve net zero carbon emissions.

In September 2021 we updated our vehicle purchasing policy to make electric vehicles (EV) compulsory when replacing a vehicle at the end of its lifecycle unless there is no EV alternative, setting three clear decision measures, use, capacity, and charging infrastructure. During 2022 we will be forming transition plans and targets to move all our fleet to EV.

In addition to making changes to ways of choosing our vehicles, we have made changes to our company car policy and are introducing EV charging points at our main offices from 2022, to incentivise our colleagues who receive a company car or car allowance to make selecting an electric vehicle an easier option. High capital cost is one of the barriers to adoption but by relaunching the company car scheme, broadening the choice of EVs available and introducing a salary sacrifice scheme, colleagues will find it easier to make a sustainable choice.

We are also addressing emissions from petrol and diesel-powered tools that are used in the delivery of our services to clients. For example, our horticultural contracts have started a programme of replacing all petrol-powered hand tools with electric alternatives at the end of their lifecycle. 20% of hand tools are now electric, such as lawnmowers, chainsaws, hedge trimmers and leaf blowers. With the introduction of an equipment monitoring system, we can track the equipment's performance, receive maintenance alerts and carbon emissions for each equipment in use, prolonging its life. The data from this initiative will influence our procurement and contracts across the business.

We continue to support and influence our clients' sustainability objectives, through effective energy, chemical, and waste management systems which reduce the impact on the environment and benefit the local community where we operate. For example, we are in a partnership with one of our suppliers to reduce our clients' carbon emissions by recycling paper towels through Tork's Paper Circle Scheme, a one-of-a-kind recycling service that can cut carbon emissions on paper towels by 40% by turning them into new tissue products.

Decarbonisation of our supply chain is a crucial element to achieving our 2040 net zero target, with our procurement team working on many environmental related projects to reduce our impact on the plant. One of these projects has seen a 96% reduction in mixed municipal waste ending up in landfill and contributing to greenhouse gas emissions. Moving our waste management to a more sustainable conscious supplier has provided us with more control, accurate data and better reporting, which has helped us reduce our mixed municipal waste to landfill from 322 tonnes in 2020 to 11.2 tonnes in 2021.

We are also tackling our energy consumption and carbon emissions at our main offices by introducing energy efficient measures and exploring technology to neutralise our carbon emissions. For example, all our offices, which are already supplied with 100% renewable energy, have been retrofitted with LED lights and PIR sensors and we are replacing our main office gas boilers with electric alternatives that are 150% more efficient starting in 2022, helping us remove significant emissions from our operations. In addition, we have instigated two feasibility studies looking at the viability of installing wind and solar power.

As mentioned previously, we recognise that achieving our 2040 target is not an easy task. It is only achievable through a clear and progressive plan that will reduce our emissions over time through changes in practices, innovation and leadership. As an ethical business, we know its right to offset our emissions now where we can, to improve the environment around us, and support local communities.

Streamlined Energy and Carbon Reporting (SECR) Methodology

In accordance with the 2018 regulations which amend the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the following energy and carbon sources are required to be reported within Large Unquoted Company Annual Accounts:

- Natural Gas Consumption
- Electricity Consumption
- Transport Consumption where the organisation has direct responsibility for the purchasing of fuel e.g. for Company vehicles and personal vehicles used for business purposes.

We have invested in a partnership with Achilles and their carbon reduction scheme, the UK's only accredited greenhouse gas certification scheme, to measure and calculate our UK operations energy consumption and carbon emissions. The following methodologies have been used to calculate our CO2e emissions:

- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard
- The Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guidelines (2020)

It was determined that the most appropriate boundary of control (financial, organisational, or operational) to report on was operational control. This methodology has been applied to our operations for 2021. Our data inventory has been certified in accordance with international standard ISO 14064-1 by a qualified independent auditor.

Streamlined Energy and Carbon Reporting data

The SECR period is the year ended 31 December 2021. The following data includes Scope 1, 2 and Scope 3 business travel and summarises the energy consumption (kWh) and carbon emissions (tCO2e):

OCS Group UK Limited				
	2021		2020	
Emission source	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e
Scope 1 – Natural Gas & Fuel Consumption	19,117,289	3,894.7	21,637,730	4,589.3
Scope 2 – Electricity	1,018,949	216.4	1,361,435	317.4
Scope 3 – Business Travel	-	547.7	-	582.1
Total (Scope 1 + Scope 2 + Scope 3)	20,136,238	4,658.8	22,999,165	5,488.8
Financial Turnover	£460,977,000		£429,805,000	
Intensity Ratio: tCO2e/turnover £m	10.11		12.77	
Intensity Ratio: tCO2e /turnover yearly % change	-20.9%		NA First year	

OCS GROUP UK LIMITED

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company ended the year in a structurally sound position, with a diverse market sector revenue base and in a position of financial strength. The Company reported a profit after tax in 2021 of £19.6m (2020: £3.8m), operating profit before exceptional items of £14.9m (2020: £8.5m) and EBITDA has increased to £18.8m (2020: £13.4m). On 31 December 2021 the Company had cash balances of £53.7m (2020: £44.3m) having paid £15.0m of 2020 deferred VAT payments in the year and net assets of £58.6m (2020: £39.0m). The demonstration of another year of managing the COVID-19 pandemic impact reflects the strength of the Company and the decisive restructuring actions taken in 2020. Management believes the outlook for the Company is positive with forecasts reflecting strong levels of liquidity.

To be able to conclude that it is appropriate to prepare the financial statements on the going concern basis, management have performed analysis and carried out scenario modelling from this baseline to stress test the robustness of the projections against the Group's funding capacity and banking covenants. In doing so, it has been necessary to make estimates and judgements that are critical to the outcome of these considerations. Baseline projections prepared at a subsidiary level as part of the annual 2022 budget and subsequent two-year plan period have therefore been subject to considerable internal review and scrutiny including at Group Board level to assess reasonableness. Reference has been made to global and country level economic projections when establishing the baseline.

The Company is a party to and a guarantor of the Group's £70m revolving credit facility which is fully committed to 30 April 2024. The Group's baseline projections show substantial liquidity headroom and demonstrate compliance with banking covenants.

Scenario modelling

As described in the financial statements of O.C.S. Group Limited, scenario modelling demonstrates liquidity headroom and compliance with banking covenants throughout the forecast period.

Going concern conclusion

The Company provides essential and critical support services to a wide variety of private and public sector organisations, with cleaning and security services in particular being vital activities in these difficult times. The business has proven itself to be robust as reflected in the profit and cash growth in the year and is poised for further growth. Whilst forecasting is by its nature uncertain, the Company remains cash generative under the baseline scenario modelled and the Directors therefore have a reasonable expectation that the Company is able to meet its obligations as and when they fall due. Based on this forecast, the Directors have concluded that the financial statements can be prepared on the going concern basis.

SUBSEQUENT EVENTS

There have been no subsequent events after the end of the reporting period.

DIVIDENDS

No dividends were paid in the year (2020: £nil) and no dividends are scheduled for payment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR

Each of the current Directors confirms that, as far as he is aware, there is no relevant audit information of which the auditor is unaware and he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint the auditor annually and, accordingly, Deloitte LLP will be the auditor of the Company for the forthcoming financial year.

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

R.J. Taylor

Director

6 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCS GROUP UK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of OCS Group UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included assessment of the following:

- financing facilities available to the Company as part of the wider OCS Group including nature of facilities, repayment terms and covenants at a Group level
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis and reverse stress testing at a Group level
- need, or otherwise, for the Company to either utilise the Group facilities available, or for the guarantee provided under the Group facilities to be called upon
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management
- external market factors
- post year end performance.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCS GROUP UK LIMITED (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and the Audit & Risk Assurance Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, CJRS legislation, pensions legislation, tax legislation, National Minimum Wage Regulation 2016; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included employment law and Health and Safety at Work Act 1974.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCS GROUP UK LIMITED (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- revenue recognition in contracts of scale and complexity: we assessed monthly billing profiles of contracts identified as significant risks, whilst also performing substantive testing at this contract level on both the revenue balance itself and related items (e.g. debtors, credit notes). We performed enquiry with key contract management to further our understanding and identification of variances, corroborating this by obtaining relevant evidence. We investigated KPIs for any failures, related claims and disputes within the identified significant risk contract portfolio and considered the impact of these on the recognition of revenue, whilst also performing an investigation for contradictory evidence across public and private information.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
6 April 2022

OCS GROUP UK LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2021

	NOTE	**2021** **£'000**	2020 £'000
TURNOVER	3	**460,977**	429,805
Cost of sales		**(413,574)**	(410,865)
Government grant income	8	**7,383**	24,913
GROSS PROFIT		**54,786**	43,853
Administrative expenses		**(39,903)**	(35,721)
Government grant income	8	**17**	404
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**14,900**	8,536
Exceptional income/(expense)	4	**536**	(4,962)
OPERATING PROFIT		**15,436**	3,574
Net finance income/(expense)	5	**1,150**	(534)
PROFIT BEFORE TAXATION	6	**16,586**	3,040
Tax on profit	9	**2,973**	793
PROFIT AFTER TAXATION		**19,559**	3,833

All activities derive materially from continuing operations.

There are no items of other comprehensive income for the current and preceding financial year other than as stated above. Consequently, a statement of comprehensive income is not presented.

OCS GROUP UK LIMITED

BALANCE SHEET
31 December 2021

	NOTE	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	**6,018**	4,606
Tangible assets	12	**5,569**	7,264
Investments	13	**7**	7
		11,594	11,877
CURRENT ASSETS			
Stocks	14	**1,740**	2,023
Debtors: amounts falling due within one year	15	**70,373**	44,805
Debtors: amounts falling due after more than one year	15	**22,333**	15,576
Cash at bank and in hand		**53,672**	44,288
		148,118	106,692
Creditors: amounts falling due within one year	16	**(100,860)**	(79,111)
NET CURRENT ASSETS		**47,258**	27,581
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,852**	39,458
Creditors: amounts falling due after more than one year	17	**-**	(58)
Provisions for liabilities	19	**(217)**	(395)
NET ASSETS		**58,635**	39,005
CAPITAL AND RESERVES			
Called up share capital	21(A)	**2,000**	2,000
Profit and loss account	21(B)	**56,635**	37,005
SHAREHOLDERS' FUNDS		**58,635**	39,005

These financial statements were approved by the Board of Directors and authorised for issue on 6 April 2022.

Signed on behalf of the Board of Directors

R.J. Taylor
Director

S.J. Harris
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2021

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 31 December 2019	2,000	33,333	35,333
Profit for the financial year	-	3,833	3,833
Capital contribution (see note 10)	-	(161)	(161)
At 31 December 2020	2,000	37,005	39,005
Profit for the financial year	-	19,559	19,559
Capital contribution (see note 10)	-	71	71
At 31 December 2021	**2,000**	**56,635**	**58,635**

Capital contributions relate to the Company's equity settled share-based payment transactions and incorporate adjustments to prior year estimates.

1. ACCOUNTING POLICIES

OCS Group UK Limited is a Company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. It is a private Company limited by shares. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2-4.

The financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102). The accounting policies adopted by the Directors are described below. They have been applied consistently throughout the current and prior year.

The functional currency of OCS Group UK Limited is pounds sterling, the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

Accounting convention

The financial statements are prepared under the historical cost convention.

OCS Group UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. OCS Group UK Limited is consolidated in the financial statements of its ultimate parent, O.C.S. Group Limited, which may be obtained at Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Financial periods

The results presented are for the year ended 31 December 2021. The comparative amounts presented in these financial statements (including the related notes) are for the year ended 31 December 2020.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 2 to 20.

The Company meets its day to day working capital requirements through working capital facilities. The Group's main bank facility of £70m is committed to 30 April 2024 but the Company does not forecast a need for financial support in the next twelve months, either by way of ultimate parent company funding or by drawing on this revolving credit facility.

The Company's forecasts, more fully described in the Directors' Report on page 19, show that the Company will be able to operate within the level of its current facilities. The Company has long term facilities services contracts with a number of clients and suppliers across different industries and the Directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries and applying plausible sensitivities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Intangible fixed assets - goodwill

On the acquisition of a business, goodwill represents the excess of the fair value of the purchase consideration over the aggregate of the fair values of the net assets acquired.

Goodwill arising on acquisitions prior to 1 April 1998 has been written off against the profit and loss reserve. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal. Goodwill arising on acquisitions from 1 April 1998 is included on the balance sheet and amortised within administrative expenses in equal annual instalments over its expected useful economic life, up to a maximum of 20 years (maximum of ten years for goodwill arising on acquisitions from 1 April 2014). Provision is made for any impairment.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets – other

Other intangible fixed assets are stated at cost, net of amortisation and any provision for impairment. The cost of software includes development costs where the technical, commercial and financial viability of individual projects are satisfactorily established and are therefore not treated, for dividend purposes, as a realised loss. Amortisation is provided within administrative expenses to write down cost to estimated residual value by equal annual instalments over the period of estimated useful economic lives as follows:

Software	3 - 15 years

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided within cost of sales or administrative expenses depending on the nature of the asset to write down cost to estimated residual value by equal annual instalments over the period of estimated useful economic lives as follows:

Short term leasehold property	Over the term of the lease
Motor vehicles	3 - 10 years
Plant, machinery, fixtures and fittings	3 - 15 years
Cabinets, mats and service equipment	2 - 8 years

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or are settled, or substantially all of the risks and rewards of ownership of the financial asset are transferred to a third party, or control and some of the significant risks and rewards of ownership of the financial asset are transferred to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

Investments

Investments in joint ventures are measured at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in, first-out) method or average cost basis. Provision is made for obsolete, slow-moving, or defective items where appropriate.

1. **ACCOUNTING POLICIES (continued)**

Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash generating units (CGUs) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU and then to other assets within that CGU on a pro-rata basis.

With the exception of goodwill, where impairment losses are not reversed, where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their estimated useful economic lives. The capital elements of the future obligations are recorded as liabilities and the finance charges are allocated to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases and benefits received and receivable as incentives to sign operating leases are recorded in the profit and loss account in equal annual amounts over the lease term. For leases commencing up to 31 March 2014, in accordance with Section 35 of FRS 102 the lease term is the non-cancellable period of the lease and for leases commencing from 1 April 2014 the lease term is the non-cancellable period of the lease together with any further terms for which the Company has the option to continue to lease the asset when at the inception of the lease it is reasonably certain that the Company will exercise the option.

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (or more) than the value at which it is recognised, a deferred tax liability (or asset) is recognised for the additional (or reduced) tax that will be paid in respect of that difference. Similarly, a deferred tax asset (or liability) is recognised for the reduced (or additional) tax that will be paid because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and joint ventures except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off the current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1. ACCOUNTING POLICIES (continued)

Provisions for liabilities

Provisions for liabilities, including onerous contracts where future costs are expected to exceed future revenues, are made at the amounts expected to be paid in respect of present obligations relating to past events where the timing of payments or the amounts involved are uncertain. Amounts are discounted to present value when the time value of money is material.

Retirement benefit schemes

The Company participates in a number of funded pension arrangements including defined benefit and defined contribution schemes and also participates in an unfunded defined benefit post-retirement healthcare scheme. As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group companies, it accounts for these schemes as if they were defined contribution schemes.

For defined contribution schemes the pension cost is charged to the profit and loss account in line with contributions payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

Certain employees of the Company have been issued with equity settled share options, issued by O.C.S. Group Limited. Equity settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at the rate of exchange at that date.

Turnover

Turnover recognised from the supply of services and goods represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration due. Where payments are received from clients in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants related to revenue are recognised as income over the period in which the related costs are recognised and are included in gross margin where the related costs are included in cost of sales.

Exceptional items

The effect of material transactions that are exceptional by virtue of their size or incidence are separately disclosed.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements apart from those involving estimations which are described below.

Key sources of estimation uncertainty

The following are the critical judgements involving estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Deferred tax assets

The recoverability of the Company's deferred tax assets of £22,333,000 (2020: £15,576,000), which relate to timing differences, is dependent on sufficient future taxable profits. Based on the Company's latest forecasts the Directors' judgement is that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

3. TURNOVER

Turnover derives from one activity, being the provision of facilities services, whose geographical analysis by location and origin is materially within the United Kingdom.

4. EXCEPTIONAL ITEMS

	2021	2020
	£'000	£'000
Profit on sale of operations	**391**	413
Restructuring	**145**	(5,375)
	536	(4,962)

Profit on sale of operations in 2021 relates to the sale of a small non-core business in January 2021 and the profit on sale of operations in 2020 mainly relates to the sale of Cannon Hygiene Limited on 1 January 2018.

Restructuring costs in 2020 have been classified as exceptional due to the scale and nature of the restructuring activities that were undertaken during the year as a result of COVID-19. There was a small net release of over-accruals in 2021.

5. NET FINANCE INCOME/(EXPENSE)

	2021	2020
	£'000	£'000
Interest payable under finance leases and hire purchase contracts	(5)	(29)
Interest receivable from fellow subsidiaries	690	-
Interest receivable from ultimate parent company	200	58
Foreign exchange	(35)	(47)
Other finance expenses	(435)	(516)
	415	(534)
Investment income (note 13)	735	-
	1,150	(534)

6. PROFIT BEFORE TAXATION

	2021	2020
	£'000	£'000
Profit before taxation is after charging/(crediting)		
Depreciation of tangible fixed assets	2,412	3,120
Amortisation of goodwill	315	630
Amortisation of software	925	1,111
Impairment of software	259	-
Rentals under operating leases:		
- hire of plant and machinery	1,682	1,433
- other operating leases	4,146	3,922
Auditor's remuneration:		
- audit of the Company's annual accounts	105	89
Share-based payments	600	(161)

EBITDA (operating profit before exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was the Company's primary Key Performance Indicator (KPI) profit measure in the year:

	2021	2020
	£'000	£'000
Operating profit before exceptional items	14,900	8,536
Depreciation of tangible fixed assets	2,412	3,120
Amortisation of goodwill	315	630
Amortisation of software	925	1,111
Impairment of software	259	-
EBITDA	18,811	13,397

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £'000	2020 £'000
Directors' remuneration:		
Emoluments	**1,025**	631
Pension contributions	**39**	26
	1,064	657

Other Directors' remuneration in the current and prior year was borne by companies in the O.C.S. Group Limited group.

At the year-end two (2020: two) Directors were members of a Group defined contribution pension scheme and two Directors (2020: nil) exercised share options in the year.

Emoluments of the highest paid Director were £586,000 (2020: £370,000) and the Company paid defined contribution pension contributions of £nil (2020: £nil) in respect of the highest paid Director. The highest paid Director exercised share options in the current year and no other shares were received or receivable by that Director under a long-term incentive scheme in the current or prior year.

	2021 No.	2020 No.
The average number of employees, some being employed on a part-time basis, was:		
Operations	**15,188**	16,814
Sales and administration	**588**	596
	15,776	17,410

	2021 £'000	2020 £'000
Staff costs, including Directors, incurred in respect of these employees were:		
Wages and salaries	**295,177**	265,884
Social security costs	**26,119**	25,442
Other pension costs	**6,146**	6,167
	327,442	297,493

Wages and salaries and social security costs include amounts arising under the Group's share-based payments schemes (see note 10).

8. GOVERNMENT GRANTS AND OTHER SUPPORT MEASURES

During the year certain grants and other support measures were provided by the UK government in response to the COVID-19 pandemic.

The Company recognised £7,400,000 (2020: £25,317,000) of government grants to support the employment of the Company's employees. These grants have been shown as income, with £7,383,000 (2020: £24,913,000) included in gross profit to align this grant income to the related wages cost. There are no unfulfilled conditions or contingencies attached to the grants received.

The Company's cash position at 31 December 2021 has benefitted from £2,148,000 (2020: £17,181,000) of deferred UK VAT payments which was fully paid by January 2022.

Other short-term tax deferrals were in place during the prior year but did not benefit the Company's closing cash position.

9. TAX ON PROFIT

	2021	2020
	£'000	£'000
Current tax		
Foreign tax	-	61
Group relief	3,752	1,609
Adjustment to prior periods' tax provisions	32	129
	3,784	1,799
Deferred tax		
Origination and reversal of timing differences	(6,769)	(2,595)
Adjustment to prior periods' tax provisions	12	3
	(6,757)	(2,592)
Tax credit on profit	(2,973)	(793)

Reconciliation of total tax credit:

	2021	2020
Profit before tax	16,586	3,040
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	3,151	578
Factors affecting charge for the year:		
- expenses not deductible for tax purposes	28	314
- deductions allowed for tax purposes	(535)	(405)
- income not taxable	(241)	-
- utilised tax losses	-	(9)
- adjustments in respect of prior periods	44	132
- overseas tax	-	61
- other timing differences	(505)	62
- change in UK deferred tax rate	(4,915)	(1,526)
Total tax credit for the year	(2,973)	(793)

10. SHARE-BASED PAYMENTS

The Company participates in the Group's share option scheme, certain employees being granted options in respect of shares in O.C.S. Group Limited and certain employees participated in three incentive schemes, at the end of the three years employees will be eligible to receive shares based on the achievement of annual performance targets.

The vesting period for all options is three years from the date of grant (based on three-year performance targets) with an extended four-year vesting period (based on four-year performance targets) for certain options if the three-year performance targets are not achieved. Options expire if they remain unexercised after a period of seven years from the date of grant and options are forfeited if the employee leaves the Group before the options vest. Further details of the scheme are included in O.C.S. Group Limited's consolidated financial statements.

The Company measures its share-based payment expense based on the equity settled amounts attributable to its employees.

The Company recognised a charge of £600,000 (2020: credit of £161,000) within administrative expenses related to share-based payment transactions arising under the share option and long-term incentive schemes.

During the year £529,000 (2020: £nil) was paid in respect of cash settled share options exercised by employees.

11. INTANGIBLE FIXED ASSETS

	GOODWILL £'000	SOFTWARE £'000	TOTAL £'000
Cost			
At 1 January 2021	9,660	19,422	29,082
Additions	-	3,134	3,134
Disposals	-	(498)	(498)
At 31 December 2021	**9,660**	**22,058**	**31,718**
Amortisation			
At 1 January 2021	9,345	15,131	24,476
Charge for the year	315	925	1,240
Disposals	-	(275)	(275)
Impairment	-	259	259
At 31 December 2021	**9,660**	**16,040**	**25,700**
Net book value			
At 31 December 2021	**-**	**6,018**	**6,018**
At 31 December 2020	315	4,291	4,606

The cost of software includes £4,637,000 (2020: £2,156,000) in respect of costs incurred on ongoing systems development where no amortisation has been charged as this asset has not been brought into use.

12. TANGIBLE FIXED ASSETS

GROUP	SHORT TERM LEASEHOLD PROPERTIES £'000	MOTOR VEHICLES £'000	PLANT, MACHINERY, FIXTURES AND FITTINGS £'000	CABINETS, MATS AND SERVICE EQUIPMENT £'000	TOTAL £'000
Cost					
At 1 January 2021	3,338	1,126	21,602	130	26,196
Additions	67	-	971	-	1,038
Disposals	(392)	(244)	(1,252)	-	(1,888)
At 31 December 2021	**3,013**	**882**	**21,321**	**130**	**25,346**
Depreciation					
At 1 January 2021	1,785	1,071	15,946	130	18,932
Charge for the year	328	29	2,055	-	2,412
Disposals	(256)	(222)	(1,089)	-	(1,567)
At 31 December 2021	**1,857**	**878**	**16,912**	**130**	**19,777**
Net book value					
At 31 December 2021	**1,156**	**4**	**4,409**	**-**	**5,569**
At 31 December 2020	1,553	55	5,656	-	7,264

The net book value of fixed assets includes £53,000 (2020: £1,404,000) in respect of plant and machinery held under finance leases and hire purchase contracts, which do not include any unusual arrangements.

Cabinets, mats and service equipment are held for client hire.

13. FIXED ASSET INVESTMENTS

	JOINT VENTURES	OTHER INVESTMENTS - UNLISTED	TOTAL
	£'000	£'000	£'000
Cost			
At 1 January 2021	7	478	485
Disposals - Group	-	(478)	(478)
At 31 December 2021	**7**	**-**	**7**
Provisions			
At 1 January 2021	-	478	478
Disposals - Group	-	(478)	(478)
At 31 December 2021	**-**	**-**	**-**
Net book value			
At 31 December 2021	**7**	**-**	**7**
At 31 December 2020	7	-	7

Details of the Company's joint venture is as follows:

Joint venture	Country of incorporation	Activity	Registered Office Address	Proportion of ordinary shares held %
AAS Aviation & Airport Services GmbH	Germany	Facilities services	Paul-Robeson-Strasse 37, 10439 Berlin, Germany	40

During the year the Company received dividends from investments in joint ventures of £735,000 (2020: £nil).

14. STOCKS

	2021 £'000	2020 £'000
Finished goods and goods for resale	**1,740**	2,023

15. DEBTORS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	**26,436**	29,572
Amounts owed by ultimate parent company	**15**	6,537
Amounts owed by fellow subsidiary undertakings	**35,100**	176
Amounts owed by joint ventures	**239**	469
Other debtors	**1,244**	1,177
Current tax debtor	**338**	145
Government grant	**-**	932
Prepayments and accrued income	**7,001**	5,797
	70,373	44,805
Amounts falling due after more than one year:		
Deferred tax (see note 18)	**22,333**	15,576

Amounts owed by fellow subsidiary undertakings includes £34,804,000 (2020: £nil) owed by OCS Group International Limited, the Company's immediate parent company.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Bank loans	**5,762**	7,722
Obligations under finance leases and hire purchase contracts (see note 17)	**18**	130
Trade creditors	**20,786**	15,014
Amounts owed to ultimate parent company	**16,508**	-
Amounts owed to joint ventures	**9**	8
Amounts owed to fellow subsidiary undertakings	**145**	5
Other taxes and social security	**5,639**	5,292
Other creditors	**5,640**	3,848
Accruals and deferred income	**46,353**	47,092
	100,860	79,111

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £'000	2020 £'000
Obligations under finance leases and hire purchase contracts	-	58

Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year	18	130
Between one and five years	-	58
	18	188

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

18. DEFERRED TAX

The amounts of deferred tax recognised in the financial statements are as follows:

	2021 £'000	2020 £'000
Depreciation in excess of capital allowances	22,646	15,885
Other timing differences	(313)	(309)
	22,333	15,576

During 2022 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge for the year by £nil.

A deferred tax asset of £3,297,000 (2020: £2,229,000) has not been recognised in respect of certain tax losses. This asset will be recovered if there are sufficient future taxable profits.

On 3 March 2021 a future increase to the 2023 UK corporation tax rate was announced, thereby increasing the UK deferred tax rate from 19% to 25% and increasing the Company's deferred tax asset by £4,915,000 (see note 9).

19. PROVISIONS FOR LIABILITIES

	£'000
At 1 January 2021	395
Utilised in the year	(221)
Charged to profit and loss account	58
Released unused	(15)
At 31 December 2021	**217**

Provisions relate to onerous property obligations arising following the disposal of Cannon Hygiene Limited in 2018. The provision at 31 December 2021 is expected to be paid in 2022.

20. RETIREMENT BENEFIT SCHEMES

The Company is a member of the OCS Group Pension Savings Scheme, a defined contribution scheme, and The OCS Group Transfer of Undertakings Pension Scheme, a defined benefit scheme for employees transferred under TUPE arrangements from public sector employers. The Company is also a member of the Group's unfunded defined benefit post-retirement healthcare scheme.

Until 31 March 2015, the Company was a member of The OCS Group Staff Pension and Assurance Scheme, a defined benefit scheme closed to new members and closed to future benefit accrual for existing members.

On 1 April 2000 the OCS Group Staff Pension and Assurance Scheme was closed to new members and on 31 July 2009 future benefit accruals for existing members ceased. From 1 April 2000 a new defined contribution scheme commenced, the OCS Group Pension Savings Scheme. This scheme was available to eligible employees joining the Company after that date up to 31 March 2013 and provides benefits based on the employees' and Company's contributions. From 1 April 2013, eligible employees joining the Company are included in the Company's auto-enrolment pension arrangements which also provides benefits based on the employees' and the Company's contributions. On 25 February 2022 members of the OCS Group Pension Savings Scheme were transferred to alternative pension arrangements which continue to provide the same benefits. These changes are in line with the practice increasingly adopted by major UK companies and is designed to be more flexible to employees and enable the Company to determine its pension costs more precisely than is the case for defined benefit schemes.

Particulars of these schemes are given in the financial statements of O.C.S. Group Limited, including the disclosures required by FRS 102. As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group companies, under FRS 102 the defined benefit schemes have been accounted for as if they were defined contribution schemes.

The most recent full actuarial valuation of The OCS Group Transfer of Undertakings Pension Scheme is as at 1 April 2021 by Capita Pension Solutions Limited. The valuation undertaken by Isio Services Limited for FRS 102 using the projected unit method indicated that the defined benefit scheme had a net surplus on 31 December 2021 of £2,889,000 (2020: £1,097,000).

21. CALLED UP SHARE CAPITAL AND RESERVES

	2021	2020
	£'000	£'000
(A) Called up share capital		
Allotted and fully paid		
2,000,000 (2020: 2,000,000) ordinary shares of £1 each	**2,000**	2,000

The Company has one class of ordinary shares which carries no right to fixed income.

(B) Reserves

The profit and loss account represents cumulative profit or loss, capital contributions and other adjustments net of dividends paid.

22. CAPITAL COMMITMENTS

	2021	2020
	£'000	£'000
Future capital expenditure		
Tangible fixed assets	**437**	125
Software	**942**	725
	1,379	850

23. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

	LAND AND BUILDINGS 2021 £'000	**OTHER 2021 £'000**	LAND AND BUILDINGS 2020 £'000	OTHER 2020 £'000
Payments due:				
Within one year	**1,645**	**3,083**	1,144	2,950
Between one and five years	**4,318**	**3,430**	2,877	3,187
After five years	**95**	**46**	-	130
	6,058	**6,559**	4,021	6,267

24. CONTINGENT LIABILITIES

The Company has entered into unlimited multilateral cross company guarantees in respect of borrowings by certain Group companies. At 31 December 2021 the borrowings outstanding were £41,391,000 (2020: £26,871,000).

On 31 March 2015 the Company ceased to be a sponsoring employer of The OCS Group Staff Pension and Assurance Scheme by way of a Flexible Apportionment Arrangement and gave a guarantee equal to the lower of (a) the Section 75(2) Pensions Act 1995 liability owed by O.C.S. Group Limited less any part-payments and (b) 80% of the Section 75(2) liability.

The Directors consider it to be highly unlikely that any amounts will be payable under these guarantees.

25. IMMEDIATE AND ULTIMATE PARENT COMPANY

At 31 December 2021 the immediate controlling party and immediate parent company was OCS Group International Limited whose registered office address is the same as the Company. At 31 December 2021 the ultimate controlling party and ultimate parent company and parent company of the smallest and largest group for which group financial statements are prepared was O.C.S. Group Limited whose registered office address is the same as the Company. Copies of the financial statements of O.C.S. Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.