Company Registration No. 03056469

# OCS GROUP UK LIMITED

**Annual Report and Financial Statements**

**For the year ended 31 December 2020**

# OCS GROUP UK LIMITED

## REPORT AND FINANCIAL STATEMENTS 2020

## CONTENTS

# OCS GROUP UK LIMITED

# REPORT AND FINANCIAL STATEMENTS 2020

## OFFICERS AND PROFESSIONAL ADVISORS

### DIRECTORS

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

### COMPANY SECRETARY

S.P. Thorn-Davis

### REGISTERED OFFICE

4 Tilgate Forest Business Park
Brighton Road
Crawley
West Sussex
RH11 9BP

### BANKERS

HSBC Bank plc, London
Barclays Bank PLC, London

### 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 2020.

**PRINCIPAL ACTIVITIES**

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

**BUSINESS REVIEW**

Details of the results for the year are set out in the profit and loss account on page 22. The financial position at the year-end is set out in the balance sheet on page 23.

On the whole the Company has proven to be very resilient through the global coronavirus pandemic, with different impacts experienced in each of the sectors. The Company took necessary and early action to restructure parts of its business where demand was unlikely to return in the mid-term and made use of Government support to retain colleagues where demand for services contracted. Colleagues across the Company showed incredible commitment and courage during the worst of the crisis period, continuing to provide essential services in often challenging and high-risk environments.

New and important clients have elected to adopt OCS as their service partner of choice in 2020. We have been delighted to continue to expand the client base of the Company in a period of uncertainty, both for facilities services and the broader economy. The Company has continued to evolve its different service offers to clients in its chosen priority markets, deciding where it is most capable of winning by delivering compelling value propositions and service. The Company enters 2021 with optimism to continue to execute its determined strategy of growth.

Turnover in year was £429.8m (2019: £432.0m). As a percentage of turnover, gross profit of £43.9m (2019: £42.9m) was 10.2% (2019: 9.9%), reflecting the mix of contracts in the portfolio. Administrative expenses fell to £35.7m (2019: £40.5m) from reduced employee costs, including savings from restructuring and other discretionary cost cutting measures deployed to manage the pandemics impact, resulting in operating profit growth (before exceptional items) of £8.5m (2019: £2.4m).

Operating profit after exceptional items was £3.6m (2019: £1.2m) and profit after taxation was £3.8m (2019: £1.8m). The Company's results reflect continued improvement in the trading performance, in line with management expectations. The trading challenges created by the pandemic were successfully managed and the Company achieved the pre-pandemic EBITDA target. The Company incurred a significant exceptional cost of £5.0m (2019: £1.2m) driven by the need to swiftly restructure parts of the business permanently impacted by COVID-19, for example parts of the aviation sector, in order to protect the long-term profitability of the business as described below.

At 31 December 2020 the Company had net current assets of £27.6m (2019: £23.0m).

The Company had year-end cash balances of £44.3m (2019: £25.6m). The stringent management of cash, whilst meeting all obligations, continues to be a source of strength for the business as demonstrated by the Company's debtor days performance, along with some temporary tax deferrals and reduced capital expenditure. The Company has the capacity and capability to invest in future opportunities for growth.

**COVID-19 pandemic**

The Company entered the pandemic period in robust health, having completed its four-year business transformation programme with strong liquidity, sales and EBITDA. Q1 2020 performance exceeded targets as we commenced a focused growth phase. COVID-19 then changed the Company's immediate priorities, which moved to protecting the business during the worst period of the crisis and to prepare it to be ready to resume the growth agenda from a position of strength, as the crisis abates and restrictions lift.

The Company saw increased demand for some of our essential services, ensuring the safe operation of vital infrastructure in healthcare and government. The retail, hospitality and aviation sectors were impacted by national government restrictions and the closure of borders. Lockdown forced the closure of leisure and entertainment venues, and work from home directives impacted business and manufacturing facilities. In line with our competitors, we saw changing demand patterns and we had to respond to these changes with speed and agility. Given the impact on our services, we adapted to meet the changing needs of our clients and help them to navigate through the pandemic – whilst ensuring that the safety and wellbeing of our colleagues remained our priority. Clients turned to us for additional specialist cleaning services and we also supported the mobilisation of COVID-19 treatment centres.

Unfortunately, the pandemic meant we had to take some difficult but necessary actions to ensure we continue to be a healthy business in the long term, including restructuring and reducing our footprint in sectors that we expect to remain challenged in the mid to long term, for example in aviation. These decisions have always been made and implemented in accordance with our values. One of our key objectives has been to protect as many jobs as possible, which we have achieved by redeploying colleagues and accessing government support where available. We are committed to being a sustainable business, offering employment opportunities to jobseekers through schemes such as People into Work, as well as development opportunities through our UK apprenticeship programme. We also understand the mental stress that can be placed on frontline colleagues and those on furlough for a long period. Our colleagues have been actively encouraged to access our Safecall helpline and to have regular contact with their management or team leaders, to support well-being.

## STRATEGIC REPORT (continued)

Our supply chains have continued to be well managed. The response to the pandemic by our procurement team has been excellent and has focused on carefully coordinating and sourcing essential supplies, including PPE at the right time and quality, to keep the business on track and our colleagues protected. Our supply chain has also been successfully managed through the initial period post Brexit, having undertaken significant contingency planning to ensure resilience.

The pandemic has proven OCS to be an agile and resilient business and, while the situation remains unpredictable and 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 government, healthcare and a broad range of business and industry sectors. We continue to fully support clients in aviation, hospitality and leisure and we will be there for these clients as their businesses start to recover.

We remain a strong sustainable business because of the clear decisions we have made about our priorities, the swift measures we have taken, and the extraordinary efforts of our colleagues. Whilst COVID-19 will likely continue to affect our lives for some time, the vaccination programme and early observed signs of economic recovery in the UK, should support a progressive improvement in the business environment as we move through 2021. Financial projections to 2023 demonstrate that the Company will maintain its strong financial position, with strong levels of liquidity.

### KEY PERFORMANCE INDICATORS

The Company's Key Performance Indicators (KPIs) remained financially focused in 2020 given the importance of demonstrating the successful completion of the recovery plan. EBITDA was the Company's primary profit measure in the year as it provides a close linkage to cash performance:

- EBITDA (operating profit before exceptional items and before depreciation/amortisation and any 'impairment of tangible and intangible fixed assets) was £13.4m (2019: £7.3m)
- Debtor days (trade debtors as a percentage of annualised turnover) of 25.1 days (2019: 29.2 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

The core OCS business has been further strengthened in 2020 through continued successful execution of the strategic plan set in 2018, whilst adapting to the challenges of the pandemic. Although the growth agenda was temporarily slowed by the pandemic, the strategy remains valid and was further refined in the 2021 budget and subsequent two -year business plan prepared in Q4 2020. Management teams worked diligently to further increase market understanding in each sector. This has enabled informed choices about the services and sectors where OCS can win and further develop value propositions for current and future clients. Recent UK government announcements point towards restrictions being lifted by mid-2021 which is in line with our planning assumptions. The company will also drive a programme of investment in systems improvements and process enhancements to our operating model. Focus on the human resources agenda, investing in our people and promoting our values will continue, along with enhancement of our sector-based value propositions to our clients to truly provide a service of "Partnership Made Personal".

The impacts from the COVID-19 pandemic are discussed in the Business Review on pages 2 and 3 and within the Directors' Report.

### 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 parent company OCS 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.

# STRATEGIC REPORT (continued)

**STAKEHOLDER RELATIONSHIPS**

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

The Company has some 17,400 employees. 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 and wants to continue to build a business that does things in the right way and is a good member of society.

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

R.J. Taylor
Director

8 April 2021

# OCS GROUP UK LIMITED

# DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for year ending 31 December 2020.

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

As reported last year, the Company's Board ("the Board") adopted the Wates Corporate Governance Principles for Large Private Companies which is consistent with the approach taken by the Company's parent company, OCS Group Limited.

In adopting the Wates Principles, the Directors of the Company present how they have applied the six principles set out below and how the Directors have had due regard to stakeholder engagement, as required under section 172 of the Companies Act 2006.

**Purpose and Leadership – Principle One**

OCS is a fifth generation 121 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 OCS Group Limited and consequently has one sole shareholder. 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

In 2016 OCS Group Limited established a Corporate Governance Committee to improve engagement with its shareholders. The Committee agreed a shared purpose (the "Shared Purpose") consistent with family business governance which sits well within the Wates Principles. This agreed Shared Purpose remained unchanged in 2020 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 to be 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 UK.

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. The strategy for the Company has been developed in conjunction with and with the support of OCS Group Limited. The Company Chief Executive and Group General Counsel / Company Secretary of the Company are both part of the OCS Group Limited Executive Leadership Team (the "ELT") and, as such, communicate regularly with the parent company. OCS Group Limited is supportive of the Board in delivering the strategy in line with the Shared Purpose. The sector-based strategy set the growth agenda for the next phase in the development of the Company and as part of the process, clear portfolio choices and investment priorities were identified and have been enacted. Making focused future investment choices against clear facts and market analysis has been particularly important during the pandemic. Systems improvements, process enhancements and actions across the human resources/leadership agenda have also been identified and progressed.

In reaction to 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 the Company's 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 the key areas being:

Economic impacts
- Financial performance
- Liquidity, treasury and cash
- Restructuring
- Fiscal incentives

Business impacts
- Business continuity
- Legal and specific contract impacts
- Supply chain health
- Sales fightback
- HR

Stakeholders
- Employees
- Clients
- Government
- Suppliers
- OCS Group Limited as shareholder

This approach has enabled the Board to monitor the key operational and financial impacts taken through reports and presentations made to the Board during the year.

**Shared Purpose**

In support of the shared purpose, as described in the OCS Group Limited financial statements, our values are "Care, Safety, Trustworthy and Expert". They guide everything we do, and everything we do not do. They represent us at our best. By living our values, we focus not just on what we do for our clients but how we do it, delivering great service that demonstrates our care and safety, and how we are trustworthy and expert, time after time. We celebrate those who place our values at the heart of their day-to-day roles through our internal recognition schemes and on our external communication channels, inspiring not only our colleagues across the globe, but our clients too.

OCS is a people business and the Company employs some 17,400 employees in the UK. The workforce is employed under formal contracts. The Company also uses agency workers and temporary workers, but irrespective of the type of contractual arrangement, the health and safety of OCS employees and our agency and temporary workers is the most important issue for the Company. The Company also supports training and development for all its workforce, and is expanding its e-learning platform, facilitating development opportunities through training, as well as delivering critical modules on health and safety, IT security and the OCS Code of Conduct.

Many of our clients have not been in a position to operate their business as normal due to COVID-19 and as a result we have had up to 4,475 colleagues unfortunately not working at any one time who we have been able to support through the UK Furlough Scheme. Through our PMO we have been tracking return to work of our colleagues during the year, which has occurred to varying degrees and on a phased approach in most territories. Where government grants and incentives have been available, we have taken advantage of 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 being reported on each month and are included within Monthly Operating Reports submitted to our Shareholder.

Our externally facilitated whistleblowing service operated by Safecall is now fully embedded, 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 OCS Group Company Secretary and the Group HR Director, 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)

**Board Composition – Principle Two**

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

| | |
|---|---|
| Bob Taylor | Chief Executive Officer and Chairman since 2016 |
| Simon Harris | Finance Director (appointed on 1 October 2020) |
| James Darnton | Finance Director (resigned on 1 October 2020, now OCS Group Limited CFO) |
| Ian Goodliffe | Health, Safety, Quality and Environment Director |

The Company Secretary is Scott Thorn-Davis (OCS Group General Counsel (appointed on 3 November 2020)).

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

**Board Effectiveness**

The Board is collectively responsible to its sole shareholder, OCS Group 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 that are specifically reserved to the Board such as approval of the financial statements. There are certain standing items on the agenda that are considered at every Board meeting, namely:

- Finance, Commercial and Risk
- Health, Safety, Quality and Environment
- 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 once 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).

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

# DIRECTORS' REPORT (continued)

The current ExComm comprises:

| | |
|---|---|
| Bob Taylor | Chief Executive |
| Simon Harris | Finance Director (appointed September 2020) |
| Justine Vaughan | Operational HR Director |
| Ian Goodliffe | Health, Safety, Quality and Environment Director |
| Steve Caddell | Procurement Director |
| Jason King | IT Director |
| Scott Thorn-Davis | Group General Counsel /OCS Group UK Company Secretary (appointed October 2020) |
| Jon Fowler | Managing Director of Business & Industry and Specialist Services |
| Andrew Mortimer | Client Services Director (appointed January 2021) |
| Chris Morris | Managing Director of Destination & Venues (appointed January 2021) |
| Sheila Newton | Managing Director of Government |
| Ian Nisbet | Managing Director of Healthcare & Education |
| Aine Mulcahy | Managing Director of Ireland and Aviation & Gateways (Aviation and Gateways with effect from January 2021) |
| Martin Logue | Managing Director of Middle East |

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

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 parent company, OCS Group Limited. The Directors do not retire by rotation and may hold office for as long as the Board 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 & 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 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 OCS 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 Group General Counsel (and Company Secretary of the Company) who report to the Chief Executive of OCS Group Limited. This difference in reporting structure results from the Group General Counsel having responsibility for legal matters for both the Company in the UK but also for the wider OCS Group globally,

**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.

# DIRECTORS' REPORT (continued)

## Director Responsibilities - Principle Three

### 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 board's risk appetite. The Board along with its shareholder, 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 shareholder, 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 the certain delegated powers.

### Nomination and Succession

Nominations for Directors' appointments and reappointments are made collectively by the Board and then ratified by the 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.

In terms of succession planning 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 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 value to 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 parent company approves the remuneration of the ExComm.

### Audit and Risk

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 Group Risk and Assurance Manager who reports directly to the parent company's 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 who also provided limited tax services during the year. The Board takes seriously its responsibility to put in place safeguards to ensure the independence, objectivity and effectiveness of external audit. The 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.

### Executive Committee ("ExComm")

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

### 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 the shareholder

As set out under Principle Two, the Company is accountable to its sole shareholder, OCS Group Limited. The Company Chief Executive and Group General Counsel are both part of the 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)

**Opportunity and Risk - Principle Four**

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 2020, the most significant risks identified were:

- inability to adapt the strategy to frequent changes in government policies, market and economic conditions, including COVID-19
- inability to grow the contract portfolio or adopting misaligned investment plans leading to non-delivery of the strategy
- increasing frequency of terrorist attacks, threat of cyber-attack and information security breach

During 2020 the Company has addressed these strategic and portfolio risks by undertaking market and economic analysis, to provide assessment and further insights, to refine its strategy. The Company has strengthened its information security infrastructure, investing in prevention tools and in early anomaly detection and continues to adapt to the challenges faced by all businesses to avoid business disruption.

**COVID-19**

To manage the OCS Group through the COVID-19 pandemic and recovery phases, as stated above, a dedicated Project Management Office ('PMO') was established by the Company's shareholder 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 and continues to be:

- 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 Group
- working to protect liquidity
- managing the 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, the Group Chief Commercial Officer has coordinated a global sales fightback initiative led by regional and territory leadership teams to ensure that the Group responded to take advantage of opportunities arising in the changing markets, including pre-opening activities, and to ensure that the path taken during the recovery from the pandemic is managed appropriately. This is to be achieved by adapting or enhancing commercial policies and metrics where needed to protect profitability and to ensure an appropriate return on commercial investment is achieved and to absolutely ensure that client requirements are supported as the situation continues to change.

The PMO activity has allowed the Company to identify and to mitigate commercial, operating and financial risks and initiate actions to manage these risks along with maximising any opportunities arising from the pandemic, co-ordinating across the globe. The Key risks that were identified as part of this process were:

- **financial resilience**: in the event of a failure to mitigate the impact of COVID-19 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 considered, is described in the Going Concern section of this Directors' Report on page 17.

To improve financial resilience, the Directors instigated a number of mitigating actions to minimise the impact on profitability and cashflow, thereby ensuring sufficiency of liquidity in the period expected to be impacted by uncertainty, before the economies in which we operate recover to normal levels:

- discretionary capital and operating expenditures were largely postponed or cancelled.
- participation in government grant and tax deferral support schemes where possible and appropriate.
- payments due under the 2019 short term incentive schemes were delayed from April 2020 to October 2020 and the structure of the 2020 scheme has been reviewed with the Remuneration Committee to reflect changes in the Company's position as a result of the pandemic.
- a voluntary, temporary pay reduction and annual salary increases were cancelled for much of the senior and middle management teams.
- necessary downsizing restructuring was being 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 across the Company.
- 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 parent company are 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.

# DIRECTORS' REPORT (continued)

**Innovation**

The Company recognises that innovation is central to its growth strategy and has already started exploiting 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.

**Remuneration - Principle Five**

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 17,000 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.

As explained under Principle One, the Company have been conducting a review of all EU workers to establish future impact post 30 June 2021 and as such we have a clear position of our colleagues intention and any potential resourcing needs moving forward. 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/apprenticeship programmes that can 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. All of which we believe will strengthen our position as an employer for managing any Brexit impact and how we recruit for the future.

The Gender Pay Gap Reports for the Company are published on the Company's website. The 2020 gender pay gap between male and female colleagues (5.05% mean, 3.08% median) is an improvement on the 2019 figures (7.86% mean, 3.35% median) and is significantly lower than the national gender pay gap of 15.5% as reported by the Office of National Statistics in October 2020 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.

**Stakeholder Relationships and Engagement - Principle Six**

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 actively engage with our suppliers and have open conversations about where they can help us develop. We believe in the value of true collaboration within the supply chain and feel it is vital for success. As each of our clients use part of our supply chain, whether that's the machines we deploy on-site, uniforms given to our employees, or materials that cleaning colleagues use, the relationship with suppliers is a key to our ability to provide services to our clients. It is therefore necessary that we require a high performing, sustainable supply chain that operates to a consistent set of operating standards. Key suppliers in the UK are required to sign up to, observe and follow the requirement of our Supplier Charter.

Our Supplier Charter sets out the expectation that our suppliers will adhere to our Core Values and follow our various policies including Health & Safety, Modern Slavery and Anti-Bribery. As part of our procurement process, suppliers are vetted to ensure that they have Health & Safety Policies, Modern Slavery Policies and have the necessary levels of insurance. Our suppliers and their employees are expected to report in confidence if something is not right. This may be that the Supplier Charter is not being observed, that corners are being cut, or that individuals are being asked to do something which contravenes law, breaches the OCS Supplier contract, may negatively impact on the Company or, plainly and simply, doesn't feel right.

We have supplier conferences and workshops which assist in collaborative working, continual improvement and understanding. This process builds on the strong supplier contractual arrangements we have built up over many years fostering effective relationships.

**Clients**

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

Given the challenging business environment due to the pandemic in year, we have had an unprecedented level of communication with our clients via socially distanced face to face meetings, video calls, emails, WhatsApp & Telegram Messenger communications. As the pandemic hit each client, we have worked with them to understand their changing requirements which in some cases have been significant reduction in services for our clients in the Aviation, Hospitality and Retail sectors to increased services in the Healthcare sector. Our communication has been in line with our strategic partnership approach which means we work as part of our clients' teams to deliver high quality, sustainable and essential facilities service solutions. As part of the development of our new Core Values last year we developed and defined our brand promise with our clients being "Partnership Made Personal". This means we encompass our values which enshrine our commitment to work in partnership with our clients to help them achieve their goals and improve the experience of their clients.

The Company also 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. During 2020, the Company's score improved from 48.96 in 2019 to 67.31 in 2020. Putting this in context, only 10% of UK brands across all sectors have an NPS score in excess of 40.

As reported last year, we were awarded a large contract with HM Courts & Tribunals Service (HMCTS) for the provision of security services across the 335 courts and tribunals buildings from 1 April 2020. This built on our successful mobilisation in 2018 of contracts with the Ministry of Justice and Home Office focused on security, catering, and cleaning. We are pleased to report that the HMCTS was successfully mobilised at the height of the pandemic despite the challenges faced. We are very appreciative of the support of HMCTS and all our colleagues involved in the mobilisation. We continue to work flexibly with HMCTS responding to changes to service requirements and demands due to the impact COVID-19 has had on the administration of the courts and tribunal services.

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 colleagues.

**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. However, financial institutions are generally concerned about the service sector and therefore it is important that the Company maintains good relationships with banks who are all supportive of the Company and its strategy. OCS Group Limited, our shareholder, 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 the OCS Group has renewed its Revolving Credit Facility with HSBC and Barclays with the facility now committed until 30 April 2024. The Company has access to this facility when and if required.

**Employees**

The success of the Company is dependent upon our colleagues and their safety and that of others is paramount in everything we do. This has never before been so important as during the pandemic, so strong, consistent, and genuine leadership has guided our approach to health & safety through a difficult year. Many of our colleagues have been directly, or indirectly, affected by COVID-19 and our thoughts and prayers go to their families and friends. The senior leadership team across the Company 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. This included an ongoing assessment of the integrity and quality of our supply chain with particular focus on the provision of Personal Protective Equipment (PPE). Regular global briefing sessions were held throughout the year, managed by the OCS Group COVID-19 Project Management Office (PMO). These sessions provided a drumbeat of consistent messaging to our colleagues, clients, and other key stakeholders, as well as informing countries and regions of PMO actions. These actions included the sharing of improvement opportunities, good ideas, updates on the market environment and changes in government guidance.

The Health & Safety ethics we operate under are the same in every country we work in, with the principle that every colleague deserves to go home each day safely. We are committed to visible leadership from the Board downwards instilling safe behaviours and creating a strong safety culture which forms part of our Core Values. This is undertaken by providing colleagues with the correct training and tools to enable them to do their job safely, adopting best practice in our work procedures, empowering colleagues to make the right decisions about their safety and others, reporting health & safety incidents promptly, including 'near misses', monitoring, reviewing and reporting our health & safety performance accurately, continually improving our health & safety procedures and conducting our work to protect third parties and minimise any adverse effect on the environment.

The wellbeing of our colleagues is important, and we have a number of colleague assistance programmes available along with a 24/7 helpline, which has been particularly important during the pandemic, providing support and advice for many lifestyle problems, helping to identify and resolve personal concerns. The service is entirely confidential and helps us to retain a happier, healthier workforce. We have supported our colleagues in being able to take paid time off work to take advantage of vaccination programmes being offered. We have also ensured government information concerning the benefits of having the vaccine has been made available to our colleagues.

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.

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.

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. Secondly, the monthly 'Star' award is given in the form of a voucher for occasions where an individual, or a team, has behaved exceptionally or has consistently gone that extra mile.

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.

# DIRECTORS' REPORT (continued)

**Shareholders**

As stated early in this report, the Company has one sole shareholder, OCS Group Limited, and the Company engages on a regular basis with its parent via the regular ELT meetings.

**Business Conduct**

As a fifth generation 121-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 by our Shareholder and under the various policies the business operates under. The OCS Group Code of Conduct, which was updated and reissued in October 2020, 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 eLearning platforms enable our colleagues to understand the sound ethical principles we operate under. 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 Environment**

In line with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is presenting its first formal report as follows:

**Directors' Sustainability Statement**

The pandemic has provided a global circuit breaker, a refocus on society challenges and priorities, with a new perspective on the bigger picture, including the challenges that face us all long term, climate change.

By ensuring sustainability is embedded into our business strategy with practical measures that will help us support the global priorities conveyed through the UN Sustainable Development Goals, OCS will continue to shape a business built on strong ethical principles, that will enhance the lives of future generations of our stakeholders - colleagues, clients, and communities.

**Business impact of climate change**

Climate change and the protection of the planet's natural resources continues to develop as a key priority for our clients and a required element in bids, especially Government and other public sector contracts, including Healthcare.

Regulatory environmental changes may have an impact on our supply chain, including food cost inflation, additional costs to implement legislation such as the Streamlined Energy and Carbon Reporting (SECR) requirements in the UK, and sourcing from environmentally conscious suppliers and products.

Businesses have adapted their working practices during the pandemic, and for many this will be a long-term change to working practices and norms. This provides an opportunity to align to their own sustainability strategies with downsized physical office spaces. These changes will have an impact on current and future contracts in our Business & Industry sector.

Our continued success will rely on attracting and retaining talented people. There is more awareness around climate change and the environment in society generally, informing individual choices around where to shop and who we work for – retaining access to the widest talent pool will require a business strategy which includes a clear sustainability plan.

Our sustainability strategy has considered the points highlighted and will address these and any future environmental risks which become known.

**Our sustainability strategy**

We have taken the time over the last 12 months to really look at what we are doing as a responsible business to provide a sustainable future, not just for those directly impacted by our operations, such as our colleagues, clients, suppliers, and local communities, but also the wider global population.

The pandemic circuit breaker and subsequent review of our business practices has helped define our new OCS Group Sustainability Strategy. The development of our strategy and framework has not come about without some careful considerations.

## DIRECTORS' REPORT (continued)

Our strategy addresses the commercial challenges we face around climate change and is aligned to the UN Sustainable Development Goals. It reflects who we are as a business, our history and values, and is achievable within our business model. It has a clear link to our shareholder common shared purpose, creating a business with a relevant sustainable future.

The OCS Group Sustainability Strategy has been approved by the OCS Board and will be published in Q2 of 2021. It focuses on two clear areas where we are perfectly positioned to make a real difference through our business model, reducing our environmental impact and adding social value by advancing social mobility. As an ethical business we take our social responsibility very seriously and have invested in expert help, to develop our sustainability strategy into a robust set of pragmatic measurable commitments, and a clear roadmap to achieve net zero carbon emissions, which will be based on a clear set of science-based targets.

We are pushing ourselves to do more and, with our trusted team of experts, we have the ambition to succeed. During 2021 with the help of our experts, we are introducing a carbon reduction programme and tool, called eManage. This will enable us to deliver our legislative obligations, as well as identify areas where we can make a practical and proportionate difference to reducing our carbon emissions and support the development of a Net Zero Carbon Roadmap.

This work will build on the carbon reduction initiatives already underway. The Company already procures electricity from 100% renewable energy sources, through our energy providers. We are also currently reviewing our procurement strategy to establish what a realistic timeframe would be to upgrade all our commercial fleets to electric vehicles, which will be conveyed in our Net Zero Carbon Roadmap and published in 2022.

Over the past 12 months, we have seen a significant drop in our business travel due to the pandemic, which has compelled us to change the way we manage the business, with home working and online meetings developed extensively. This has been possible thanks to the hard work of our IT colleagues in setting up the infrastructure for remote working, enabling our central teams, managers, and leadership to still be effective. We have an opportunity through our sustainability strategy to make the environmental benefits of more remote working long-term.

Our success will be defined not just by the much-needed critical services we provide, but by the broader role we play in society, focusing on the right actions, and working in partnership with our colleagues, clients, suppliers, and communities to make it a better future for generations to come.

**Working together for future generations**

We have incredible colleagues doing amazing things, initiatives and programmes which are making a positive difference to peoples' lives today, Through the development of the new OCS Group Sustainability Strategy, we will be able to elevate this great work and replicate it across our business, where its pragmatic to do so.

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. The Company is required to report based on the SECR reporting guidelines, this methodology has been applied to our operations for 2020.

Our data inventory has been certified in accordance with international standard ISO 14064-1, by qualified independent auditors (Achilles).

Where we can partner to make sustained change, we will use our combined influence to try to achieve real impacts in reducing our carbon emissions and meeting global climate change objectives.

## DIRECTORS' REPORT (continued)

**Streamlined Energy and Carbon Reporting data**

The Streamlined Energy and Carbon Reporting (SECR) period is for the year ended 31st December 2020.

The following data includes Scope 1, 2 and Scope 3 business travel, and summarises the energy consumption (kWh) and carbon emissions (tCO2e):

| Emission Source | Energy Consumption (kwh) | CO2e tonnes |
|---|---|---|
| Scope 1 – Natural Gas & Fuel Consumption | 21,637,730 | 4,589.29 |
| Scope 2 – Electricity | 1,361,435 | 317.40 |
| Scope 3 – Business Travel | - | 582.05 |
| Total (Scope 1 + Scope 2 + Scope 3) | 22,999,165 | 5,488.74 |
| Financial Turnover | £429.8m | |
| Intensity Ratio: CO2e tonnes/turnover £m | 12.77 | |
| Intensity Ratio: CO2e kg/turnover yearly % change | N/A* | |

*This is the first year of SECR data, therefore a comparison of previous year's energy and carbon performance is not required. Annual comparisons will be introduced in 2021.

### GOING CONCERN

The Company entered 2020 in a structurally sound position, with a diverse sector revenue base and in a position of financial strength with net cash funds of £25.6m. The Company exited the year with net cash funds of £44.3m having navigated through a particularly challenging year, reflecting the resilience of the business to the global pandemic, along with some government support measures. Approximately £17m of the improvement in cash is temporary in nature and will reduce in 2021 and 2022 as payment deferrals unwind. The speed of our reaction to the COVID-19 pandemic and our adaptation to date has meant we continue to hold our own as a financially stable business and believe the outlook for the Company is positive. Our liquidity is forecast to remain strong, and we continue to project no net debt in our forecasts.

The Company does not forecast a need for financial support in the next twelve months, either by way of parent Company funding or by drawing on the Group's revolving credit facility. However, the Directors note that Group management have, in order to be able to conclude that it is appropriate to prepare the Group financial statements on a going concern basis, performed analysis of expected impacts of the pandemic and carried out scenario modelling from the baseline projection prepared as part of the annual 2021 budget and subsequent two-year plan period. The Group's £70m revolving credit facility is now fully committed to 30 April 2024 following renewal of the facility in April 2021 and, as described in the Group financial statements, all bank covenant tests as stipulated in the facility are met under the scenarios considered.

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 in year to be robust and is now poised for growth. Whilst forecasting is by its nature uncertain, the Company has no debt forecast in the next twelve months and the Directors have a reasonable expectation that the Company is in a position to meet its obligations as and when they fall due and have concluded that the financial statements of the Company can be prepared on the going concern basis.

### SUBSEQUENT EVENTS

There have been no material subsequent events other than the successful refinancing of the Group's £70m revolving credit facility which is now committed to 30 April 2024.

### DIVIDENDS

Dividends of £nil (2019: £2.0m) were paid during the year. No further 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
8 April 2021

# 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 2020 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 statement of accounting policies; and
- the related notes 1 to 26.

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.

## 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.

## 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 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
8 April 2021

## OCS GROUP UK LIMITED

## PROFIT AND LOSS ACCOUNT
## Year ended 31 December 2020

| | NOTE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **TURNOVER** | 3 | **429,805** | 432,050 |
| Cost of sales | | **(410,865)** | (389,196) |
| Government grant income | 8 | **24,913** | - |
| **GROSS PROFIT** | | **43,853** | 42,854 |
| Administrative expenses | | **(35,721)** | (40,476) |
| Government grant income | 8 | **404** | - |
| **OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS** | | **8,536** | 2,378 |
| Exceptional items | 4 | **(4,962)** | (1,186) |
| **OPERATING PROFIT** | | **3,574** | 1,192 |
| Net finance (expense)/income | 5 | **(534)** | 269 |
| **PROFIT BEFORE TAXATION** | 6 | **3,040** | 1,461 |
| Tax on profit | 9 | **793** | 328 |
| **PROFIT AFTER TAXATION** | | **3,833** | 1,789 |

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 2020

| | NOTE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 11 | **4,606** | 4,990 |
| Tangible assets | 12 | **7,264** | 9,691 |
| Investments | 13 | **7** | 7 |
| | | **11,877** | 14,688 |
| **CURRENT ASSETS** | | | |
| Stocks | 14 | **2,023** | 1,707 |
| Debtors: amounts falling due within one year | 15 | **44,805** | 57,632 |
| Debtors: amounts falling due after more than one year | 15 | **15,576** | 12,983 |
| Cash at bank and in hand | | **44,288** | 25,597 |
| | | **106,692** | 97,919 |
| Creditors: amounts falling due within one year | 16 | **(79,111)** | (74,924) |
| **NET CURRENT ASSETS** | | **27,581** | 22,995 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **39,458** | 37,683 |
| Creditors: amounts falling due after more than one year | 17 | **(58)** | (308) |
| Provisions for liabilities | 19 | **(395)** | (2,042) |
| **NET ASSETS** | | **39,005** | 35,333 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 21(A) | **2,000** | 2,000 |
| Profit and loss account | 21(B) | **37,005** | 33,333 |
| **SHAREHOLDERS' FUNDS** | | **39,005** | 35,333 |

These financial statements were approved by the Board of Directors and authorised for issue on 8 April 2021.

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 2020

| | Called up share capital | Profit and loss account | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 December 2018 | 2,000 | 33,174 | 35,174 |
| Profit for the financial year | - | 1,789 | 1,789 |
| Capital contribution | - | 370 | 370 |
| Dividends paid | - | (2,000) | (2,000) |
| 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** |

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

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2020

### 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 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 2020. The comparative amounts presented in these financial statements (including the related notes) are for the year ended 31 December 2019.

**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 18.

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 parent Company funding or by drawing on this revolving credit facility.

The Company's forecasts to April 2022, more fully described in the Directors' Report on page 17, 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.

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 the Company's parent company, 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 £15,576,000 (2019: £12,983,000), 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

| | **2020**<br>**£'000** | 2019<br>£'000 |
|---|---|---|
| Profit/(loss) on sale of operations | **413** | (1,069) |
| Restructuring costs | **(5,375)** | (117) |
| | **(4,962)** | (1,186) |

The profit on sale of operations includes £401,000 (2019 loss: £945,000) relating 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.

## 5. NET FINANCE (EXPENSE)/INCOME

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Interest payable under finance leases and hire purchase contracts | (29) | (54) |
| Interest receivable from ultimate parent company | 58 | 734 |
| Foreign exchange | (47) | (23) |
| Other finance expenses | (516) | (721) |
| | (534) | (64) |
| Investment income (note 13) | - | 333 |
| | (534) | 269 |

## 6. PROFIT BEFORE TAXATION

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Profit before taxation is after charging** | | |
| Depreciation of tangible fixed assets | 3,120 | 2,790 |
| Amortisation of goodwill | 630 | 914 |
| Amortisation of software | 1,111 | 1,180 |
| Rentals under operating leases: | | |
| - hire of plant and machinery | 1,433 | 1,504 |
| - other operating leases | 3,922 | 5,339 |
| Auditor's remuneration: | | |
| - audit of the Company's annual accounts | 89 | 102 |
| - tax compliance services | - | 20 |
| Share-based payments | (161) | 370 |

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 as it provides a close linkage to cash performance:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Operating profit before exceptional items | 8,536 | 2,378 |
| Depreciation of tangible fixed assets | 3,120 | 2,790 |
| Amortisation of goodwill | 630 | 914 |
| Amortisation of software | 1,111 | 1,180 |
| **EBITDA** | 13,397 | 7,262 |

## 7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Directors' remuneration: | | |
| Emoluments | **631** | 949 |
| Pension contributions | **26** | 28 |
| | **657** | 977 |

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 (2019: two) Directors were members of a Group defined contribution pension scheme.

Emoluments of the highest paid Director were £370,000 (2019: £430,000) and the Company paid defined contribution pension contributions of £nil (2019: £nil) in respect of the highest paid Director.

| | 2020 No. | 2019 No. |
|---|---|---|
| The average number of employees, some being employed on a part-time basis, was: | | |
| Operations | **16,814** | 17,167 |
| Sales and administration | **596** | 571 |
| | **17,410** | 17,738 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Staff costs, including Directors, incurred in respect of these employees were: | | |
| Wages and salaries | **265,884** | 271,490 |
| Social security costs | **25,442** | 22,441 |
| Other pension costs | **6,167** | 5,779 |
| | **297,493** | 299,710 |

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 received £25,317,000 of Government grants to support the employment of the Company's employees. These grants have been shown as income, with £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 2020 has benefitted from £17,181.000 of deferred UK VAT payments which is fully payable by 31 January 2022.

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

## 9. TAX ON PROFIT

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| **Current tax** | | |
| Foreign tax | **61** | - |
| Group relief | **1,609** | 104 |
| Adjustment to prior periods' tax provisions | **129** | 131 |
| | **1,799** | 235 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(2,595)** | (274) |
| Adjustment to prior periods' tax provisions | **3** | (289) |
| | **(2,592)** | (563) |
| Tax charge on profit | **(793)** | (328) |

**Reconciliation of total tax charge:**

| | 2020 | 2019 |
|---|---|---|
| Profit before tax | **3,040** | 1,461 |
| Tax on profit at standard UK corporation tax rate of 19% (2019: 19%) | **578** | 278 |
| Factors affecting charge for the year: | | |
| - expenses not deductible for tax purposes | **314** | 170 |
| - deductions allowed for tax purposes | **(405)** | (551) |
| - income not taxable | **-** | (63) |
| - utilised tax losses | **(9)** | (4) |
| - adjustments in respect of prior periods | **132** | (158) |
| - overseas tax | **61** | - |
| - other timing differences | **62** | - |
| - change in UK deferred tax rate | **(1,526)** | - |
| Total tax charge for the year | **(793)** | (328) |

## 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 the first year of a three year incentive scheme, 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 credit of £161,000 (2019 charge: £370,000) within administrative expenses related to share-based payment transactions arising under the share option scheme.

## 11. INTANGIBLE FIXED ASSETS

| | GOODWILL £'000 | SOFTWARE £'000 | TOTAL £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 9,660 | 18,211 | 27,871 |
| Additions | - | 1,363 | 1,363 |
| Disposals | - | (152) | (152) |
| **At 31 December 2020** | **9,660** | **19,422** | **29,082** |
| **Amortisation** | | | |
| At 1 January 2020 | 8,715 | 14,166 | 22,881 |
| Charge for the year | 630 | 1,111 | 1,741 |
| Disposals | - | (152) | (152) |
| Impairment | - | 6 | 6 |
| **At 31 December 2020** | **9,345** | **15,131** | **24,476** |
| **Net book value** | | | |
| **At 31 December 2020** | **315** | **4,291** | **4,606** |
| At 31 December 2019 | 945 | 4,045 | 4,990 |

The cost of software includes £2,156,000 (2019: £1,071,000) in respect of costs incurred on ongoing systems development where no amortisation has been charged.

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2020

### 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 2020 | 3,634 | 2,232 | 23,178 | 130 | 29,174 |
| Additions | 49 | - | 2,059 | - | 2,108 |
| Disposals | (345) | (1,106) | (3,635) | - | (5,086) |
| **At 31 December 2020** | **3,338** | **1,126** | **21,602** | **130** | **26,196** |
| | | | | | |
| **Depreciation** | | | | | |
| At 1 January 2020 | 1,687 | 2,061 | 15,605 | 130 | 19,483 |
| Charge for the year | 430 | 75 | 2,615 | - | 3,120 |
| Impairment | - | 18 | 143 | - | 161 |
| Disposals | (332) | (1,083) | (2,417) | - | (3,832) |
| **At 31 December 2020** | **1,785** | **1,071** | **15,946** | **130** | **18,932** |
| | | | | | |
| **Net book value** | | | | | |
| **At 31 December 2020** | **1,553** | **55** | **5,656** | **-** | **7,264** |
| At 31 December 2019 | 1,947 | 171 | 7,573 | - | 9,691 |

The net book value of fixed assets includes £1,404,000 (2019: £1,842,000) 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 2020 | 7 | 478 | 485 |
| **At 31 December 2020** | **7** | **478** | **485** |
| **Provisions** | | | |
| **At 1 January 2020 and 31 December 2020** | - | 478 | 478 |
| **Net book value** | | | |
| **At 31 December 2020** | **7** | **-** | **7** |
| At 31 December 2019 | 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 £nil (2019: £333,000).

## 14. STOCKS

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Finished goods and goods for resale | **2,023** | 1,707 |

## 15. DEBTORS

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | **29,572** | 34,553 |
| Amounts owed by ultimate parent company | **6,537** | 14,344 |
| Amounts owed by subsidiary undertakings | **176** | 426 |
| Amounts owed by joint ventures | **469** | 488 |
| Other debtors | **1,177** | 1,046 |
| Current tax debtor | **145** | 145 |
| Government grant | **932** | - |
| Prepayments and accrued income | **5,797** | 6,630 |
| | **44,805** | 57,632 |
| **Amounts falling due after more than one year:** | | |
| Deferred tax (see note 18) | **15,576** | 12,983 |

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| Bank loans | **7,722** | 6,694 |
| Obligations under finance leases and hire purchase contracts (see note 17) | **130** | 593 |
| Trade creditors | **15,014** | 21,795 |
| Amounts owed to joint ventures | **8** | - |
| Amounts owed to subsidiary undertakings | **5** | 12 |
| Other taxes and social security | **5,292** | 4,815 |
| Other creditors | **3,848** | 3,447 |
| Accruals and deferred income | **47,092** | 37,568 |
| | **79,111** | 74,924 |

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Obligations under finance leases and hire purchase contracts | **58** | 308 |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Obligations under finance leases and hire purchase contracts are repayable as follows: | | |
| Within one year | **130** | 593 |
| Between one and five years | **58** | 308 |
| | **188** | 901 |

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:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Depreciation in excess of capital allowances | **15,885** | 13,030 |
| Other timing differences | **(309)** | (47) |
| | **15,576** | 12,983 |

During 2020 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 £2,229,000 (2019: £1,973,000) has not been recognised in respect of certain tax losses. This asset will be recovered if there are sufficient future taxable profits.

On 11 March 2020 the cancellation of the previously enacted future reduction to the UK corporation tax rate was announced, thereby increasing the UK deferred tax rate from 17% to 19% and increasing the Company's deferred tax asset by £1,526,000 (see note 9).

On 3 March 2021 a future increase to the UK corporation tax rate was announced, taking effect in 2023. If this change had been in place at 31 December 2020 the UK deferred tax rate would have increased from 19% to 25%, the Company's deferred tax asset would have increased by £4,919,000.

## 19. PROVISIONS FOR LIABILITIES

| | £'000 |
|---|---|
| At 1 January 2020 | 2,042 |
| Utilised in the year | (1,245) |
| Released unused | (402) |
| **At 31 December 2020** | **395** |

Provisions relate to onerous property obligations arising following the disposal of Cannon Hygiene Limited in 2018 which will crystallise over the periods of occupancy unless they can be mitigated or are settled by way of early termination. The amount released unused in the year is included in exceptional profit on sale of operations.

## 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. 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 2018 by Capita Employee Benefits 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 at 31 December 2020 of £1,097,000 (2019: £1,106,000).

## 21. CALLED UP SHARE CAPITAL AND RESERVES

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **(A) Called up share capital** | | |
| **Allotted and fully paid** | | |
| 2,000,000 (2019: 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. Dividends paid during the year were £nil (2019: £2,000,000) representing £nil (2019: £1) per share.

## 22. CAPITAL COMMITMENTS

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Future capital expenditure** | | |
| Tangible fixed assets | **125** | 277 |
| Software | **725** | 514 |
| | **850** | 791 |

## 23. OPERATING LEASE COMMITMENTS

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

| | LAND AND BUILDINGS 2020 £'000 | OTHER 2020 £'000 | LAND AND BUILDINGS 2019 £'000 | OTHER 2019 £'000 |
|---|---|---|---|---|
| Payments due: | | | | |
| Within one year | **1,144** | **2,950** | 1,087 | 2,566 |
| Between one and five years | **2,877** | **3,187** | 2,524 | 3,326 |
| After five years | **-** | **130** | 387 | 283 |
| | **4,021** | **6,267** | 3,998 | 6,175 |

**24. CONTINGENT LIABILITIES**

The Company has entered into unlimited multilateral cross company guarantees in respect of borrowings by certain Group companies. At 31 December 2020 the borrowings outstanding were £26,871,000 (2019: £35,332,000).

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 2020 the ultimate controlling party and ultimate parent company, immediate parent company and parent company of the smallest and largest group for which group accounts are prepared, is 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.

**26. SUBSEQUENT EVENTS**

Following the year end the Group completed the successful refinancing of its £70m revolving credit facility which is now fully committed to 30 April 2024.

## DIRECTORS' REPORT (continued)

### Opportunities

The Group recognises that innovation is central to its growth strategy and is continually looking at the use of technology to meet our clients' needs. Investment has been made in Centres of Excellence for each key service and sector, in order to share best practice and innovative ideas across the Group. These Centres of Excellence report through the new Chief Commercial Officer recruited in February 2020. Through the Chief Commercial Officer, a framework for growth has been implemented with key performance measures being put in place to enable the Group to validate initiatives which create value.

### Principle Five – Remuneration

The Wates Corporate Governance guidance states "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".

The Company agrees with these statements and as a business employing some 72,000 colleagues including joint ventures in 14 countries, the success of the organisation is dependent upon our colleagues. Some markets, like the UK, have minimum wage obligations, as well as pressure for a range of "living wage" levels. Other countries have neither. In all cases, the Group will only win and retain business depending on the levels of wages that our clients are prepared to pay. Wherever we can, with client support, we pay above minimum wage. While it is possible to hire staff in some countries at minimum wage rates, we take market practice into account in deciding middle and senior management remuneration. To that end we aspire to be an employer of choice within the sectors we operate. By providing employment that treats people with respect and offering future career progression for those who seek this, we will retain our colleagues and their skills and experience for longer, which will enable us to achieve our strategy. Our approach to remuneration therefore recognises the diverse requirements and competitiveness of the geographical employment markets we operate in, changing client expectations and needs, legislation and cultural requirements.

As part of the overall annual review of remuneration for senior executives, the Group HR Director provides the Remuneration Committee with an overview of the general approach being taken to remuneration for the wider workforce including the approach being taken in the UK (and global) annual salary reviews. In the UK, we have OCS which is the largest privately owned facilities management company in the market employing approximately 17,000 employees who are predominately based at our client sites, providing cleaning, security, catering and other support services. We also have our serviced office business Landmark which operates throughout the UK. At OCS and Landmark, the same principles are applied for our front-line client facing employees and other employees, those principles being that overall remuneration should be market competitive to attract and retain employees. The Remuneration Committee considers Executive Directors' pay against the pay awards made in the UK and where appropriate, against external benchmarking data.

As mentioned in the response to COVID-19, and reflecting the Company's values, various senior management and directors throughout the Group voluntarily took temporary salary reductions in recognition of the significant challengers the business has faced during this difficult period.

Through initiatives undertaken in recent years the Group gained a much better understanding of colleague's views in relation to recognition and remuneration which enabled the Group to enhance its colleague proposition and retention rates. However, due to COVID-19 the employment of a significant number of our colleagues has been impacted this year, in a number of countries and market sectors as previously mentioned, due to the economic and financial impact on our clients in these markets. Where possible we have tried to mitigate job losses and have taken advantage of government support schemes to assist our colleagues in remaining in employment. Unfortunately, in a number of countries there has been no or very little government support which has meant in these countries there have been significant job losses, particularly in India. Due to the economic impact of COVID-19 and operational focus the overall retention rate of the business this year has improved which has been underpinned by previous initiatives.

The Group HR Director advises the Remuneration Committee on the design and structure of our Short Term Incentive Plan for the Executive Directors, members of the Executive Leadership Team and other senior managers in the organisation. The Remuneration Committee approves the overall structure of the plan, prior to it being cascaded down the organisation to ensure a consistent approach is taken. The Remuneration Committee also reviews and approves any Long Term Incentive awards to Executive Directors, members of the Executive Leadership Team and other senior managers in the organisation prior to their grant and vesting. To align the interests of management and shareholders, any share options granted to Executive Directors and senior management on or after 1 January 2019 under the Company Long Term Incentive Plan (LTIP), are required be held for at least two years after they are vested.

## DIRECTORS' REPORT (continued)

As a private company, we are not required to comply with the CEO pay ratio disclosure requirements but have elected to disclose details. The legislation for public companies requires the ratios of total remuneration of the Chief Executive to the 25th, 50th and 75th equivalent percentiles of full-time equivalent colleagues to be published and companies can elect one of three calculation approaches.

We have chosen to use Option C to reference the CEO pay ratio. This option was chosen given the size and complexity of the benchmark in a business with significant part-time employment, variable working hours and colleagues operating in different trading sectors. We have comprehensive data collation and analysis for the purposes of UK gender pay gap reporting and are therefore able to use data for frontline colleagues providing cleaning, security, aviation services and stewarding services to minimise differences in pay definitions between the CEO single total remuneration figure and gender pay reporting. We believe this approach is the most appropriate and robust way for the Company to calculate the ratio.

The total pay of our frontline colleagues in the groups referred to above at the 25th, 50th and 75th percentiles and the ratios between the CEO and these colleagues, using the CEO total remuneration figure for 2020 of £448,000 are as follows:

| CEO pay ratio | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|---|---|---|---|
| Total pay (FTE) | £18,353 | £19,663 | £22,145 |
| CEO pay ratio | 24.41 | 22.78 | 20.23 |

A significant portion of the Group CEO's total remuneration is in variable pay and therefore we expect the pay ratio to vary from year-to-year dependent on the outcome of both the Short Term and Long Term Incentive Plans. The Group Chief Executive elected not to receive a bonus in respect of 2020 given the pandemic.

Our gender pay gap reports for our OCS UK business are published on our website ocs.com. We are dedicated to creating a workplace where all employees feel part of the OCS community, are treated fairly and equally, and so can contribute fully to our vision and goals.

This can be evidenced by the analysis of our 2020 gender pay gap data, where the gap between male and female colleagues (5.05% mean (2019: 7.86%), 3.08% median (2019: 3.35%)) is lower than the national gender pay gap of 15.5% (2019: 17.4%) as reported by the Office of National Statistics in April 2020 for all employees (part time and full time). But we are not complacent. We have undertaken detailed analysis of the data to understand our position, as shown in the report. Our reported gender pay gap includes the impact of the breadth of front-line employee roles we have in the UK business, and the relative proportion of male and female employees within these different roles. We believe that having a diverse culture generates diversity of thinking, innovation, higher levels of colleague engagement and ultimately better outcomes for our clients. Whilst we understand our gender pay gap, we are committed to making OCS a more diverse and inclusive organisation, across the globe.

### Principle Six – Stakeholder Relationships and Engagement

As stated under the Wates Principles "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.

The Board is committed to foster effective stakeholder relationships which are aligned to the Group's Shared Purpose. As set out in the shared purpose it is our core values that will deliver our desired future. These values, must operate on sound ethical principles, recognising our responsibilities for colleagues, the communities in which we operate and the environment.

The Group has several initiatives in place to engage with stakeholders and the Board has received regular updates as to the engagement with its stakeholders and their views. Particular focus areas for the Board in 2020 have included advising on Landmark's approach to engaging with landlords given the very significant impact of COVID-19 on the Landmark business and shaping the Group's policies in relation to environmental matters and sustainability which took a big step forward in the year.

The Board agreed that it would, during 2020, formally document its engagement programme with key stakeholders and how their views are considered in the Board decision making process. The formal documentation of the process has commenced and will be completed during 2021.

## O.C.S. GROUP LIMITED

## DIRECTORS' REPORT (continued)

### Suppliers

Our Landmark serviced office business operates from 48 centres and has relationships with over 40 landlords with whom we look to foster a positive, proactive and collaborative working relationship to ensure that they are fully aware of our strategy and the development of our business. As the COVID-19 pandemic has had a material commercial impact on the Landmark business and given the poor operating conditions in the serviced office market due to the pandemic which continued to deteriorate in 2020, negotiations with landlords have taken place to seek amendments to leases and concessions. Collaborative working solutions have been reached with several landlords. Unfortunately, in some cases it has not been possible to reach agreement on commercially acceptable terms; but the Landmark board continues to try to negotiate, reiterating the adverse impact of COVID-19. Due to the significant impact COVID-19 has had on Landmark, where rent and service charges have not been paid in full on the due dates Landmark directors have taken advantage of the protection afforded under The Coronavirus Act 2020 and The Corporate Insolvency and Governance Act 2020. Landmark will continue to assess the impact of COVID-19 into 2021 and will also continue to work with landlords where concessions have not already been given to look to offset some of the financial impact of COVID-19. The Landmark business feels that working to agree appropriate solutions with landlords in accordance with legal guidelines will create a better outcome for all stakeholders.

We actively engage with our suppliers and have open conversations about where they can help us develop. We believe in the value of true collaboration within the supply chain and feel it is vital for success. As each of our clients use part of our supply chain, whether that's the machines we deploy on-site, uniforms given to our employees, or materials that cleaning colleagues use, the relationship with suppliers is key to our ability to provide services to our clients. It is therefore necessary that we require a high performing, sustainable supply chain that operates to a consistent set of operating standards. Key suppliers in the UK are required to sign up to, observe and follow the requirement of our Supplier Charter. Our Supplier Charter sets out the expectation that our suppliers will adhere to our Core Values and follow our various policies including Health & Safety, Modern Slavery and Anti-Bribery. As part of our procurement process, suppliers are vetted to ensure that they have Health & Safety Policies, Modern Slavery Policies and have the necessary levels of insurance. Our suppliers and their staff are expected to report in confidence if something is not right. This may be that the Supplier Charter is not being observed, that corners are being cut, or that individuals are being asked to do something which contravenes law, breaches the OCS supplier contract, may negatively impact on the Group or, plainly and simply, doesn't feel right. In various territories where we operate, we have supplier conferences and workshops which assist in collaborative working, continual improvement and understanding. This process builds on the strong supplier contractual arrangements we have built up over many years, fostering effective relationships.

Examples of our collaboration can be seen across the globe, in the UK, our procurement team worked extensively with suppliers to ensure the impact of Brexit was mitigated through diligent planning and consideration of resilience of the vertical supply chain. In Thailand, our strategic supplier partner Karcher celebrated with our Thai business "Thank Your Cleaner Day" at Somdech Phra Debaratana Medical Centre, Ramathibodi Hospital. This included an awards presentation for the 'Most Dedicated Cleaner' and 'Smart Cleaner' for their dedication in their critical roles in infection control during the outbreak of COVID-19. In Ireland we successfully re-negotiated a significant number of our supplier costs in 2020 to reflect changes to requirements and implemented payment moratoriums where appropriate to support the business during COVID-19.

### Clients

OCS works with over 20,000 clients around the globe to deliver essential and sustainable facilities management services, 24 hours a day. COVID-19 has highlighted the essential and critical services we provided in large hospitals from cleaning, catering and partnering portering services to maintaining critical plant equipment to ensure the safety and welfare of patients and staff. We provide the essential services that keep businesses and societies running day in and day out from large data centres to small private and public-sector enterprises, 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 in year, we have had an unprecedented level of communication with our clients via socially distanced face to face meetings, video calls, emails, WhatsApp & Telegram Messenger communications. As the pandemic hit each client, we have worked with them to understand their changing requirements which in some cases have been significant reduction in services for our clients in the aviation, hospitality and retail sectors to increased services in the healthcare and data centre sectors. Our communication has been line with our strategic partnership approach which means we work as part of our clients' teams to deliver high quality, sustainable and essential facilities service solutions. As part of the development of our new Core Values last year we developed and defined our brand promise with our clients being "Partnership Made Personal". This means we encompass our values which enshrine our commitment to work in partnership with our clients to help them achieve their goals and improve the experience of their customers.

As reported last year, in the UK we were awarded a large contract with HM Courts & Tribunals Service (HMCTS) for the provision of security services across the 335 courts and tribunals buildings from 1 April 2020. This built on our successful mobilisation in 2018 of contracts with the Ministry of Justice and Home Office focused on security, catering, and cleaning. We are pleased to report that the HMCTS was successfully mobilised at the height of the pandemic despite the challenges faced. We are very appreciative of the support of HMCTS and all our colleagues involved in the mobilisation. We continue to work flexibly with HMCTS responding to changes to service requirements and demands due to the impact COVID-19 has had on the administration of the courts and tribunal services.

# DIRECTORS' REPORT (continued)

At our serviced office business Landmark, prior to COVID-19 we were serving over 13,000 people every day, from fast-growing companies to established SMEs and as we represent our clients' businesses, our standards of service must be exceptional every time. At the beginning of the year, Landmark undertook an Institute of Customer Service Survey of our clients, to understand how we were performing and how we benchmarked against other businesses in the UK. The survey measured 26 metrics of client experience and Landmark scored an overall 82.9% - well above the service sector and UK averages of 76.6% and 77.1% respectively. Unfortunately, due to COVID-19 a large number of our service office clients have been severely impacted and this has been exacerbated by the various lockdowns imposed by government together with the advice to work from home if you can. We continue to work with our clients to understand their needs going forwards and to work with them in a flexible way. We are very grateful for our clients' support and as the COVID-19 landscape continues to change we will as always work to help our clients achieve their goals and work with them to improve the experience of their customers.

Throughout our business we operate Net Promoter Score, which measures client experience and allows us to understand how we can improve the services we are providing our clients. As part of our normal engagement process site visits are undertaken which allow management to meet clients together with the staff working at our client's premises, which assists the Group in understanding the views of clients and staff. We have tailored our engagement process this year to ensure the engagement is undertaken in a COVID-19 secure way utilising video meetings which have proven effective.

## Funders

The Group does not face the same risks as some 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, as reported last year some financial institutions are concerned over the service sector in general and therefore it is important that we have good relationships with all our banks. We take a proactive approach in having a two-way dialogue with the banks to ensure that they are fully aware of our strategy and the development of our business. Throughout the year we have provided updates on the Group's trading position and how the challenges of the pandemic have been managed. The banks in turn have been very supportive and the Company has renewed its Revolving Credit Facility with HSBC and Barclays with the facility now committed until 30 April 2024.

## Pension Trustee

The Company has a very good, open and constructive relationship with the directors of the corporate Trustee of the main pension schemes and entered into a Memorandum of Understanding in 2017 to record the principles which the Company and the Trustee will operate under. The principles are designed so that the Trustee directors receive "early warning" of any events affecting the Company or its subsidiaries, which could lead to a change in the Company's covenant and its ability to support the Scheme. The Company acknowledges that the early involvement by the Trustee directors in such issues will enable the parties to understand the likely effect upon the Scheme of a particular event or course of action and reach an agreed way forward in a timely manner, thereby reducing the risk of delays or obstacles to the legitimate activities of the Company and Group. The Group Finance Director or the Group Financial Controller provide financial updates to the Trustee directors at each of their main meetings, with the Group CEO attending periodically. Due to the pandemic this year the Trustee directors have appreciated receiving monthly updates on the performance of the Group in line with the open and constructive relationship the Company has with the Trustee directors.

## Employees

The success of the Group is dependent upon our colleagues and their safety and that of others is paramount in everything we do. This has never before been so important as during the pandemic, so strong, consistent and genuine leadership has guided our approach to health & safety through a difficult year. Many of our colleagues have been directly, or indirectly, affected by COVID-19 and our thoughts and prayers go to their families and friends. The senior leadership team across the Group 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. This included an ongoing assessment of the integrity and quality of our supply chain with particular focus on the provision of personal protective equipment (PPE). Regular global briefing sessions were held throughout the year, managed by our COVID-19 Project Management Office (PMO). These sessions provided a drumbeat of consistent messaging to our colleagues, clients and other key stakeholders, as well as informing countries and regions of PMO actions. These actions included the sharing of improvement opportunities, good ideas, updates on the market environment and changes in government guidance.

In New Zealand for example we continued to use the Vault online risk management system to further protect our colleagues. This enables us to bring risk and safety management to life in an interactive way for our team members via portals, desktop icons and smart phone apps, while allowing us to proactively manage our health & safety environment. This provides assurance that we maintain legal compliance, that we meet client expectations and that we deliver our own high standards at all times. OCS New Zealand achieved accreditation to ISO 45001 for the first time and successfully recertified to ISO9001:2015 and ISO14001:2015 in July 2020 with the Midcity business following in September 2020. COVID-19 provided many challenges for OCS New Zealand with some client premises shutting down temporarily and other essential services requiring increased levels of cleaning and hygiene. 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.

## DIRECTORS' REPORT (continued)

The health & safety ethics we operate under are the same in every country we work in, with the principle that every colleague deserves to go home each day safely. We are committed to visible leadership from the Board downwards instilling safe behaviours and creating a strong safety culture which forms part of our Core Values. This is undertaken by providing colleagues with the correct training and tools to enable them to do their job safely, adopting best practice in our work procedures, empowering colleagues to make the right decisions about their safety and others, reporting health & safety incidents promptly, including 'near misses', monitoring, reviewing and reporting our health & safety performance accurately, continually improving our health & safety procedures and conducting our work to protect third parties and minimise any adverse effect on the environment.

The wellbeing of our colleagues is important and we have a number of colleague assistance programmes available along with a 24/7 helpline, which has been particularly important during the pandemic, providing support and advice for many lifestyle problems, helping to identify and resolve personal concerns. The service is entirely confidential and helps us to retain a happier, healthier workforce. This is further enhanced with mental health awareness, with a number of colleagues being trained as mental health first aiders within the business. Across the Group additional measures have been put in place such as a dedicated wellbeing officer appointed in New Zealand at the beginning of the pandemic to assist our colleagues with the challenges faced by COVID-19. We have supported our colleagues in being able to take paid time off work to take advantage of vaccination programmes being offered. We have also ensured government information concerning the benefits of having the vaccine has been made available to our colleagues.

The diversity of the Group's workforce is considered to be a primary strategic strength. The Group 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.

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. We have undertaken a number of special initiatives during the period impacted by COVID-19, including in India, initiating OCS Special Star Awards virtually, to keep colleagues motivated and appreciated for their dedication during the pandemic.

We have also supported our colleagues in different ways throughout the Group, such as in Thailand with the coordination with the social security office, to ensure payment was received by our impacted furloughed colleagues during the COVID-19 outbreak in a timely manner, directly from the Thai government. We have also tried to relocate colleagues from impacted contracts to alternative contracts to ensure continuation of employment wherever possible. In a number of the countries we operate in, following restrictions imposed by governments, it was not possible for some of our colleagues to return home to their native countries due to borders being closed to travel. In these situations, we ensured they were provided with the necessary welfare until they were in a position to return home.

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

In the Relations with shareholders section under Principle Three, details are given as to how the engagement process is undertaken and how the views of shareholders are obtained. As agreed with shareholders, the shared purpose will be reviewed every five years and the overall governance arrangement no later than every ten years. As the shared purpose was agreed in 2016, the next review will take place during 2021.

As part of the engagement process with shareholders, and in the long term interests of the Company, in 2017 the Board determined that it was necessary to reduce the level of dividend payments. Post recovery, the Board has communicated to shareholders that there is a strong need to generate sustainable cash flow to maintain the financial health of the business. As the Group had generated sustainable cashflow it had been the intention of the Board to a pay a dividend in April 2020. However, due to the pandemic and the uncertainty created, the Board took the decision not to pay a dividend. The Board continues to be guided by the ability of the Group to deliver positive underlying cash flow and hit financial targets as a strong indicator of the ability to pay a dividend. Given the pandemic and the significant level of government support received as well as the exceptional losses in 2020 the Board will not be recommending a payment of a dividend to shareholders in April 2021. It will continue to monitor the position in line with the Board's dividend policy.

# DIRECTORS' REPORT (continued)

## Business conduct

As a fifth generation 121-year-old family owned business, sound ethical principles are essential to the ongoing success of the Group. These principles are enshrined into the shared purpose agreed with shareholders and under the various policies the business operates under. Our Code of Conduct which was updated and reissued in October 2020 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 the sound ethical principles we operate under. The monitoring and review of the effectiveness of the Group's internal controls and risk management systems by the Audit & Risk Assurance Committee is part of the overall oversight of ensuring high standards of business conduct are operated throughout the Group and compliance with section 172 of the Companies Act 2006.

## The environment

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

### Directors' Sustainability statement

The pandemic has provided a global circuit breaker, a refocus on society's challenges and priorities and a new perspective on the bigger picture, including the challenges that face us all long term from climate change.

By ensuring sustainability is embedded into our business strategy with practical measures that will help us support the global priorities conveyed through the UN Sustainable Development Goals, OCS will continue to shape a business built on strong ethical principles, that will enhance the lives of future generations of our stakeholders - colleagues, clients and communities.

### Business impact of climate change

Climate change and the protection of the planet's natural resources continues to develop as a key priority for our clients and a required element in bids, especially government, healthcare and other public sector contracts in the UK.

Regulatory environmental changes may have an impact on our supply chain, including food cost inflation, additional costs to implement legislation such as the Streamlined Energy and Carbon Reporting (SECR) requirements in the UK and sourcing from environmentally conscious suppliers and products.

Businesses have adapted their working practices during the pandemic and for many this will be a long term change to working practices and norms. This provides an opportunity to align to their own sustainability strategies with downsized physical office spaces. These changes will have an impact on current and future contracts in our Business & Industry sector and our UK serviced office business, Landmark. In particular, we believe the serviced office sector will see a revolution in the demand for creative, agile and collaboration workspaces in the future.

Our continued success will rely on attracting and retaining talented people. There is more awareness around climate change and the environment in society generally, informing individual choices around where to shop and who to work for – retaining access to the widest talent pool will require a business strategy that includes a clear sustainability plan.

Our sustainability strategy has considered the points highlighted and will address these and any future environmental risks that become known.

### Our sustainability strategy

We have taken the time over the last twelve months to really look at what we are doing as a responsible business to provide a sustainable future, not just for those directly impacted by our operations, such as our colleagues, clients, suppliers, and local communities, but also the wider global population.

The pandemic circuit breaker and subsequent review of our business practices has helped define our new Group Sustainability Strategy. The development of our strategy and framework has not come about without some careful considerations.

Our strategy addresses the commercial challenges we face around climate change and is aligned to the UN Sustainable Development Goals. It reflects who we are as a business, our history and values and is achievable within our business model. It has a clear link to our shareholder common shared purpose, creating a business with a relevant sustainable future.

The OCS Group Sustainability Strategy has been approved by the Board and will be published in Q2 2021. It focuses on two clear areas where we are perfectly positioned to make a real difference through our business model - reducing our environmental impact and adding social value by advancing social mobility. As an ethical business we take our social responsibility very seriously and have invested in expert help to develop our sustainability strategy into a robust set of pragmatic measurable commitments, and a clear roadmap to achieve net zero carbon emissions, that will be based on a clear set of science-based targets. We are pushing ourselves to do more and, with our trusted team of experts, we have the ambition to succeed.

## DIRECTORS' REPORT (continued)

Through 2021, with the help of our experts, we are introducing a carbon reduction programme and tool across our key territories, called e-manage. This will enable us to deliver our legislative obligations in the UK, as well as identify areas where we can make a practical and proportionate difference to reducing our carbon emissions and support the development of each country's roadmap.

This work will build on the carbon reduction initiatives already underway in some of our territories. For example, our New Zealand, UK and Landmark operations already procure electricity from 100% renewable energy sources, through their energy providers. We are also currently reviewing our procurement strategy to establish what a realistic timeframe would be to upgrade our commercial fleets to electric vehicles, which will be conveyed in each of the countries net zero roadmaps in 2022. New Zealand have been very proactive and have already exceeded their own target by upgrading 11% of their commercial fleet to hybrid vehicles by 2020.

In the last year we have seen a significant drop in our business travel due to the pandemic, which has compelled us to change the way we manage the business, with home working and online meetings deployed extensively. This has been possible thanks to the hard work of our IT colleagues in setting up the infrastructure for remote working, enabling our central teams, managers and leadership to still be effective. We have an opportunity through our sustainability strategy to make the environmental benefits of more remote working long term.

Our success will be defined not just by the much-needed critical services we provide, but by the broader role we play in society, focusing on the right actions, and working in partnership with our colleagues, clients, suppliers and communities to make it a better future for generations to come.

**Working together for future generations**

We have incredible colleagues across all our territories doing amazing things, initiatives and programmes that are making a positive difference to peoples' lives today and, through the development of our new Group Sustainability Strategy, we will be able to elevate this great work and replicate it across our business where its pragmatic to do so.

During 2020 we have continued to invest in new technology and innovation, which has enabled us to rationalise our global servers into one data centre in the UK. Effectively moving servers from Thailand, Malaysia, India and Australia to the UK, saving £0.2m in infrastructure and licencing costs, reducing our energy consumption and taking out 183 tons of CO2 from our operations annually, the equivalent to 52 return flights between London and Australia.

In Auckland, our Wasteline team in partnership with Zerobag, have developed New Zealand's first commercial reusable bin liner, engineered to withstand 200 washes lasting over two years. Each bin liner is created from twelve 100% recycled plastic bottles. Over a year more than ten tonnes of waste have been diverted from landfill. This initial project has now been extended to 20 branches across Auckland and in the first three months has diverted over five tonnes from landfill.

We apply particular focus to key priority issues – climate change and plastic pollution. OCS New Zealand has been measuring and managing carbon emissions since 2017 and we have gained Toitū carbon reduction certification for our efforts. Since then, we've managed to reduce our emissions by 32% through to 2020 and reduce our emissions intensity (per turnover/ revenue) by 36% since our base year of 2017, a huge effort by all our colleagues. This has been achieved through multiple measures, including, using only carbon zero certified renewable electricity, a reduction in air travel (both international and domestic) and lower rates of domestic vehicle travel that have seen a 16% reduction in tCO2e year on year. We have also achieved our 2020 target to have 30 electric hybrid vehicles in our New Zealand fleet.

Our Landmark business has been working closely with energy and environmental experts over the past two years, reviewing the energy performance of their centres to minimise their carbon emission and to manage their energy use better. The review and detailed energy audit in late 2019 identified opportunities to save 700,000kWh per annum (circa 2.5%). Implementation began in early 2020 where it has been practical to do so, which included upgrading to more efficient lighting and controls, introducing behaviour change training programmes and reviewing the HVAC plant settings. The pandemic and the UK government's restrictions have obfuscated the anticipated benefits in 2020, however as we continue to implement the recommendations, we will see the benefits in reduced emissions in 2021 and into future years.

Where we can partner to make sustained change we will use our combined influence to try to achieve real impacts in reducing our carbon emissions and meeting global climate change objectives.

## DIRECTORS' REPORT (continued)

### 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:

- 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 CO2 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.

The OCS companies that are required to report, based on the SECR reporting guidelines, are O.C.S. Group Limited, OCS Group UK Limited, and Landmark Space Limited. This methodology has been applied to their operations for 2020, accounting for 57% of the Group's revenue, with a planned rollout in 2021 to include additional key territories in our 2021 Annual Report.

Our data inventory has been certified in accordance with international standard ISO 14064-1, by qualified independent auditors (Achilles for O.C.S. Group Limited and OCS Group UK Limited and PASCHALi for Landmark Space Limited).

### Streamlined Energy and Carbon Reporting data

The SECR period is the year ended 31 December 2020.

The following data includes Scope 1, 2 and Scope 3 business travel and summarises the energy consumption (kWh) and carbon emissions (tCO2e):

| | Total consolidated UK Consumption & Carbon Emissions | | O.C.S. Group Limited | | OCS Group UK Limited | | Landmark Space Limited | |
|---|---|---|---|---|---|---|---|---|
| **Emission Source** | **Energy Consumption (kwh)** | **CO2e tonnes** | **Energy Consumption (kwh)** | **CO2e tonnes** | **Energy Consumption (kwh)** | **CO2e tonnes** | **Energy Consumption (kwh)** | **CO2e tonnes** |
| **Scope 1 – Natural Gas & Fuel Consumption** | 25,913,293 | 5,375.4 | - | - | 21,637,730 | 4,589.3 | 4,275,563 | 786.1 |
| **Scope 2 – Electricity** | 13,501,496 | 3,147.7 | - | - | 1,361,435 | 317.4 | 12,140,061 | 2,830.3 |
| **Scope 3 – Business Travel** | - | 710.6 | - | 124.9 | - | 582.0 | - | 3.7 |
| **Total (Scope 1 + Scope 2 + Scope 3)** | 39,414,789 | 9,233.7 | - | 124.9 | 22,999,165 | 5,488.7 | 16,415,624 | 3,620.1 |
| **Financial Turnover** | £525.7m | | - | | £429.8m | | £95.9m | |
| **Intensity Ratio: CO2e tonnes / turnover £m** | 17.6 | | - | | 12.8 | | 37.7 | |
| **Intensity Ratio: CO2e kg/turnover yearly % change** | N/A* | | N/A* | | N/A* | | N/A* | |

* this is the first year of SECR data, therefore a comparison to the previous year's energy and carbon performance is not required. Annual comparisons will be introduced in 2021.

### The community

We place huge importance on our cohesive corporate responsibility and environmental sustainability programme. This clarity of thought enables us to work with a range of stakeholders including clients, suppliers, colleagues and shareholders 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, we also work with and invest directly in community and environmental initiatives around the world.

Landmark, our serviced office business, proactively promotes participation in volunteer activities within the communities the business operates in and all colleagues are entitled to two paid volunteer days per annum. These activities range from volunteering at animal shelters to helping school aged children to write their own resumes.

OCS Australia's sponsorship of The Salvation Army's Aspire youth development programme supported ten young people through the programme in 2020. Aspire is based on the Circle of Courage youth development model. It provides a fun, supportive environment for personal development, helping young people connect positively to others, achieve and master essential life skills, take responsibility for their decisions and live with purpose and generosity. Social workers and youth workers from The Salvation Army work with Aspire families to provide any additional support needed to strengthen the home environment. Events are also run through the year to better connect families together.

OCS UK became the first 'Trusted Partner' of ProtectED, a pioneering scheme that aims to raise student safety, security and wellbeing standards across the UK higher education sector. Universities have a critical role to play in ensuring the safety, security, and wellbeing of their students - not only on campus but throughout their student experience. The ProtectED membership and accreditation scheme makes it easier for prospective students and their parents to identify those HE institutions committed to implementing good practice. As a Trusted Partner organisation, we will support ProtectED in safeguarding the student experience, sharing insight and promoting improved practice.

In India during the COVID-19 pandemic, OCS in collaboration with Sprinkling Smiles were able to reach out to 500 families with essential food at Guhaghar village in Maharashtra. In Thailand, we joined with our client Makro to donate hen houses to supply eggs for sustainable lunches at schools and gave knowledge to students through eight principles of retail management, to support students to manage their schools' shops and to provide them lunch.

In New Zealand, we are helping young people who aspire to a university education. We work with First Foundation educational trust to provide scholarships for students with family at OCS, as well as work experience and mentoring. We have partnered with the Ministry of Social Development and Workbridge, a not-for-profit organisation, to provide vocational training and job placements for people with mental and physical disabilities.

### GOING CONCERN

The Group entered 2020 in a structurally sound position, with a diverse geographical and sector market revenue base and in a position of financial strength with net cash funds of £18.1m. The Group exited 2020 with net cash funds of £87.5m having navigated through a particularly challenging year, reflecting the resilience of the business to the global pandemic along with some government support measures. Approximately £55m of the improvement in cash is temporary in nature and will reduce in 2021 and 2022 as payment deferrals unwind. The speed of our reaction to the COVID-19 pandemic and our adaptation in year has meant we continue to hold our own as a financially stable business and believe the outlook for the Group is positive. Our liquidity is forecast to remain strong, and we continue to project very low utilisation of debt in our forecasts.

To be able to conclude that it is appropriate to prepare the financial statements on a going concern basis, management have performed analysis of expected impacts 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 as part of the annual 2021 budget and subsequent two year plan period have therefore been subject to considerable internal review and scrutiny at country, regional and Group Board level to assess reasonableness. Reference has been made to global and country level economic projections when establishing the baseline.

The focus of the Group's going concern review has been twofold: to consider the sufficiency of liquidity in the context of the Group's committed banking facilities and to identify the level of headroom to ensure compliance with the Group's banking covenants for at least twelve months from the date of signing the financial statements. The Group's £70m revolving credit facility is now fully committed to 30 April 2024 following renewal of the facility in April 2021. Covenants in the facility cap net debt at 2.5 times EBITDA (as defined in the facility) and require a minimum fixed cover ratio (EBITDA as defined in the facility before serviced office rent costs compared to finance and serviced office rent costs) reflective of the level of operational gearing in the Group's serviced office business. Covenants are tested quarterly.

Under the baseline scenario, equivalent to the Group's approved 2021 budget and subsequent two year plan, all covenant tests are met, with the maximum gearing at March 2022 at 1.47x. The minimum fixed cover ratio is also met, with lowest headroom at December 2021 at 36% of forecast EBITDA. The covenant calculations include financing costs based on expected debt levels and interest rates and serviced office rent cost projections reflective of delivered rent negotiations.

## DIRECTORS' REPORT (continued)

Due to the robustness of the facilities services businesses' response to the pandemic, the gearing covenant is unlikely to be breached in any plausible scenario and therefore the stress testing focused primarily on how much the demand in the serviced office sector would need to deteriorate before the fixed cover ratio covenant would not be met. Under the baseline scenario we reverse stress tested the possible level of deterioration of the turnover of the Landmark business and the headroom would permit a 12% drop in turnover for Q2-Q4 2021. Should the situation deteriorate beyond this point, measures would be deployed to mitigate any impact, similar to actions taken during 2020 and more extreme if need be, and we also consider the expected Group EBITDA outcome for 2021 to be more positive than the baseline, based on the most recent forecast projections.

Incorporating these mitigation measures and more positive forecast projections as an overlay to our baseline scenario, at all covenant measurement dates the Group should have substantial liquidity headroom (highest gearing is 0.66x at March 2022) and headroom under the fixed cover ratio at the lowest point (September 2021) is 42% of forecast EBITDA (bank definition). This would allow Landmark's turnover to drop up to 26%, which is unlikely and provides comfort that the covenants will be met at all test dates in the baseline scenario period.

Whilst actual outcomes could be better or worse than forecast, and reverse stress testing has been considered by the Directors in this assessment, which focuses on the Landmark business, from a going concern perspective management have considered the further actions that could be taken to mitigate a more extreme downturn in the Group's performance. Given the liquidity headroom throughout the forecast period, there is significant capacity to implement deeper restructuring activities to closedown loss making or underperforming businesses and make further tactical reduction to the Group's overhead base proportionate to a smaller sized organisation in the event of a further decline. As such, the Directors do not consider that the forecasting uncertainties are material to the Group in terms of its ability to meet its obligations as and when they fall due and to remain within its banking covenants in the forecast period.

### Going concern conclusion

The Group provides essential and critical support services to a wide variety of private and public sector organisations in a number of different territories, with cleaning and security services in particular being vital activities in these difficult times. The facilities management business has proved itself to be robust and poised for future growth. The near term outlook for Landmark is inherently less certain, however, the Group has low levels of debt under the scenarios considered and the Directors have a reasonable expectation that the Group is in a position to meet its obligations as and when they fall due and have concluded that the financial statements of the Group can be prepared on the going concern basis.

### SUBSEQUENT EVENTS

There have been no subsequent events other than the successful refinancing of the Group's £70m revolving credit facility which is now committed to 30 April 2024.

### DIVIDENDS

The Board considered that due to the uncertainty relating to COVID-19 and its impact on the business it was not in the best interest of the Company to pay a dividend in the year ended 31 December 2020 (2019: £2.7m paid representing 55p per share).

The Board continues to be guided by the ability of the Group to deliver positive underlying cash flow and hit financial targets as a strong indicator of the ability to pay a dividend. Given the pandemic and the significant level of government support received as well as the exceptional losses in 2020 the Board will not be recommending a payment of a dividend to shareholders in April 2021. It will continue to monitor the position in line with the Board's dividend policy.

## 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 the Group and of the profit or loss of the Group 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 confirm that, as far as they are aware, there is no relevant audit information of which the auditor is unaware and they have taken all the steps that they ought to have taken as a Director to make themselves 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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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

**Malcolm Clark**
Company Secretary
8 April 2021

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF O.C.S. GROUP LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion the financial statements of O.C.S. Group Limited (the 'parent Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent Company Balance Sheets;
- the Consolidated and parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 33.

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 Group and the parent 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 Group's and parent Company's ability to continue to adopt the going concern basis of accounting included assessment of the following:

- financing facilities including nature of facilities, repayment terms and covenants
- 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
- 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 Group's and parent 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.

### 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

**Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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 Group's and the parent 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 Group or the parent 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 Group's industry and its control environment, and reviewed the Group'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 across all of the territories that the Group 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 Companies Acts, Generally Accepted Accounting Practices, pensions legislation, tax legislation, minimum wage legislation and government assistance legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to *operate or to avoid a material penalty. These included health & safety legislation and employment law.*

We discussed among the audit engagement team including significant component audit teams and 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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- revenue recognition in contracts of scale and complexity: we assessed monthly billing profiles of contracts identified as significant risk, 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 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 around the Group;
- unidentified or incomplete impairment of goodwill: we have challenged the reasonableness of management's forecasts and other significant inputs in CGUs assessed as featuring indicators of impairment by considering internal and external performance indicators, along with historical evidence of both actual performance and the accuracy of management's forecasts. We also performed sensitivity analysis to assess the relative impact of major assumptions; and
- impairment of assets related to leaseholds and completeness of onerous lease provisions in Landmark: we have challenged the reasonableness of management's forecasts and other significant inputs, including occupancy and workstation rates, by considering internal and external performance indicators, along with historic evidence of both actual performance and the accuracy of management's forecasts. We also performed sensitivity analysis to assess the relative impact of major assumptions and considered the vulnerability of leases becoming loss making.

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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF O.C.S. GROUP 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)**

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 Group and of the parent Company and their 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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

8 April 2021

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTE | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| TURNOVER | 3 | **922,317** | 989,919 |
| Cost of sales | | **(841,923)** | (859,511) |
| Government grant income | 7 | **41,069** | - |
| GROSS PROFIT | | **121,463** | 130,408 |
| Administrative expenses | | **(110,522)** | (119,969) |
| Government grant income | 7 | **1,504** | - |
| GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS | | **12,445** | 10,439 |
| Exceptional items | 4 | **(56,374)** | (5,330) |
| GROUP OPERATING (LOSS)/ PROFIT | | **(43,929)** | 5,109 |
| Share of operating profit of joint ventures | 16(A) | **1,550** | 1,519 |
| (LOSS)/PROFIT BEFORE FINANCE COSTS | | **(42,379)** | 6,628 |
| Finance costs (net) | 5 | **(2,171)** | (2,873) |
| (LOSS)/PROFIT BEFORE TAXATION | 6 | **(44,550)** | 3,755 |
| Tax on (loss)/profit | 9 | **(3,456)** | (6,231) |
| PROFIT AFTER TAXATION - excluding exceptional items | | **4,947** | 1,904 |
| LOSS AFTER TAXATION - exceptional items | 4 | **(52,953)** | (4,380) |
| LOSS AFTER TAXATION | | **(48,006)** | (2,476) |
| Non-controlling interest | | **(104)** | (41) |
| LOSS FOR THE FINANCIAL YEAR | | **(48,110)** | (2,517) |
| Loss per share (basic and diluted) | 12 | **(969p)** | (51p) |

All activities derive materially from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTE | **2020 £'000** | 2019 £'000 |
|---|---|---|---|
| Loss for the financial year | | **(48,110)** | (2,517) |
| Currency translation differences on foreign currency net investments | | **203** | (1,073) |
| Actuarial (loss)/gain on retirement benefit schemes | 23 | **(257)** | 753 |
| | | **(54)** | (320) |
| Tax relating to components of other comprehensive income | | **14** | 197 |
| Other comprehensive expense | | **(40)** | (123) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | **(48,150)** | (2,640) |

Total comprehensive expense for the year attributable to:

| | | |
|---|---|---|
| - non-controlling interest | **84** | 68 |
| - equity shareholders of the Company | **(48,150)** | (2,640) |
| | **(48,066)** | (2,572) |

## CONSOLIDATED BALANCE SHEET
31 DECEMBER 2020

| | NOTE | **2020 £'000** | 2019 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 14 | **53,075** | 78,312 |
| Tangible assets | 15 | **55,672** | 79,782 |
| Investments | 16 | **5,983** | 5,305 |
| | | **114,730** | 163,399 |
| **CURRENT ASSETS** | | | |
| Retirement benefit assets | 23 | **1,097** | 1,106 |
| Stocks | 17 | **3,576** | 2,934 |
| Debtors: amounts falling due within one year | 18 | **117,472** | 150,252 |
| Debtors: amounts falling due after more than one year | 18 | **28,606** | 23,258 |
| Investments - short term bank deposits | | **8,378** | 3,979 |
| Cash at bank and in hand | | **93,648** | 36,490 |
| | | **252,777** | 218,019 |
| Creditors: amounts falling due within one year | 19 | **(230,347)** | (199,824) |
| **NET CURRENT ASSETS** | | **22,430** | 18,195 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **137,160** | 181,594 |
| Creditors: amounts falling due after more than one year | 20 | **(48,872)** | (48,425) |
| Provisions for liabilities | 22 | **(39,553)** | (32,239) |
| **NET ASSETS EXCLUDING RETIREMENT BENEFIT LIABILITIES** | | **48,735** | 100,930 |
| Retirement benefit liabilities | 23 | **(4,915)** | (8,926) |
| **NET ASSETS** | | **43,820** | 92,004 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 25(A) | **540** | 540 |
| Share premium account | 25(B) | **189** | 189 |
| Capital redemption reserve | 25(B) | **63** | 63 |
| ESOP reserve | 25(B) | **(8,315)** | (8,315) |
| Profit and loss account | 25(B) | **50,828** | 98,978 |
| **SHAREHOLDERS' FUNDS** | | **43,305** | 91,455 |
| Non-controlling interest | | **515** | 549 |
| **TOTAL CAPITAL EMPLOYED** | | **43,820** | 92,004 |

These financial statements were approved by the Board of Directors and authorised for issue on 8 April 2021.

Signed on behalf of the Board of Directors

J. Hunter

**John Hunter**

**Group Chief Executive**

**James Darnton**

**Group Finance Director**

Company registration number: 01298292