

# **O.C.S. GROUP LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2019**

# O.C.S. GROUP LIMITED

## REPORT AND FINANCIAL STATEMENTS

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## **O.C.S. GROUP LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

P. Slator (Chairman)  
J. Hunter (Group Chief Executive)  
J. Darnton (Group Finance Director)  
C.B. Stephens CBE (Senior Independent Director)  
W.J. Barnes  
J.B. Coghlan  
I.A. Hemming  
L. Stewart

#### **COMPANY SECRETARY**

M. Clark

#### **EXECUTIVE LEADERSHIP TEAM**

J. Hunter  
J. Darnton  
R.I. Baylie  
M. Clark  
J.I. Corner  
M.G. Holgate  
G.C.B. Mahe  
J.R. Spencer  
R.J. Taylor

#### **REGISTERED OFFICE**

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

#### **BANKERS**

HSBC Bank plc, London  
Barclays Bank PLC, London  
Santander UK plc, London

#### **INDEPENDENT AUDITOR**

Deloitte LLP  
Statutory Auditor  
London

#### **COMPANY REGISTRATION NUMBER**

01298292

#### **WEBSITE**

[www.ocs.com](http://www.ocs.com)

# O.C.S. GROUP LIMITED

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The OCS Group is a fifth-generation 120 year old family owned business delivering vital facilities services including security, cleaning, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services. The Group also delivers serviced office solutions through its Landmark business. The Group has a strong focus on offering sustainable value adding solutions and has operations across Asia-Pacific, the United Kingdom, Ireland and the Middle East.

### BUSINESS REVIEW

Following significant moves to focus its portfolio of businesses in recent years, the Group has a strong market presence across prioritised industry sectors which include business and industry, destinations and venues, financial and professional, government, healthcare, aviation, manufacturing and technology, alongside a robust serviced office business in the UK.

The Group's core values of "Care, Safety, Trustworthy and Expert" were launched at the beginning of 2019 and are brought to life for customers every day, to ensure solutions are delivered that support the success of our customers in delivering compelling service propositions and customer experience to their customers or employees. The Group wants to service customers who need us for the long term and the business is proud to be a trusted service partner of choice for a diverse range of customers across our chosen markets. These core values are important to the way we operate and are fully embraced by our colleagues around the world.

Several new and important clients have elected to adopt OCS as their service partner of choice in 2019 and in the first half of 2020. We have been delighted to continue to expand the customer base of the Group in the UK and internationally in a period of continued uncertainty both for the facilities services and serviced office sectors and the broader global economy. The Group has continued to evolve its different service offers to customers in its chosen priority markets, deciding where it is most capable of winning new customers by delivering compelling value propositions and service.

The development of the Landmark serviced office business has been an important value driver in the transformation of OCS in the last two years and the acquisition of The Space Holdings London Limited in 2019 added eight highly desirable locations to the portfolio, with the acquired sites delivering beyond expectations in year.

During the year some small divestments were concluded, including the sale of our Singapore business.

The OCS Group exited 2019 as a strong, net debt free business that is ready to further scale and grow in its priority geographies and sectors. The Group has capacity to invest both organically and through bolt-on acquisitions. The Group will remain highly disciplined in its bid protocols and utilisation of capital to ensure that any opportunities pursued are earnings accretive, cash generative and offer a fair reward for the services performed and the associated contractual risks.

### COVID-19 pandemic

Following the year end, the COVID-19 pandemic has created an unprecedented period of disruption with significant impact on people's health and well-being, the global healthcare system, the global economy and the freedom of movement of people.

The Group entered the pandemic period in a robust operational and financial position and results for the first five months of 2020 are ahead of prior year, both in terms of EBITDA profit and cash flow liquidity. The Group's strengths in facilities management and strong heritage in cleaning, security and hygiene result in our services remaining in high demand in most of the markets we operate in. Our serviced office business is forecast to be the most adversely affected part of the Group. Although temporarily impacted by lower levels of new sales activity and ancillary revenues, it is ideally placed to take advantage of the continuing trend towards flexible working solutions and helping businesses adapt to a new future. Where clients operate in sectors hardest hit by the pandemic, we have moved swiftly to restructure and flex our business model and we have drawn on government support where available and relevant. As a result of the Group's rapid response to the challenges of the pandemic, financial projections to mid-2021 demonstrate that the Group will maintain strong levels of liquidity and remain within bank covenant requirements, even when stress tested against alternative downside scenarios.

Across the Group we have overcome logistical challenges, invoking our business continuity plans and delivering services during a time when conditions in the global economy and governments' responses around the world are continuing to change rapidly. We have maintained or enhanced our processes of control and governance where necessary, while we are challenged to think, work and live differently. Based on the trends of reported healthcare data and observed changes in the territories in which the Group operates, we expect that the pandemic will subside and the activities of the Group will return to a similar level to the pre COVID-19 period in many sectors, most likely following a general U shaped economic recovery pattern in line with many economists' forecasts. In some sectors such as aviation and hospitality we expect recovery will take much longer.

The Group is primarily focused during this period on the safety and well-being of its employees, many of whom have continued to work on the front line and are performing critical and highly valued tasks in healthcare, government and other environments which are vital to our clients in continuing to operate their own businesses. 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.

## O.C.S. GROUP LIMITED

### STRATEGIC REPORT (continued)

To ensure the financial well-being of the Group in the face of a significant reduction in sales in some sectors and geographies, the Directors have made stringent plans to manage potential risks and have already taken swift and decisive action to ensure the continuation of the business and to safeguard the Group's future. Significant restructuring of the cost base is already in progress for those parts of the facilities services business most affected in India, Malaysia and some aspects of the UK Aviation business. The directly restructured parts of these businesses represented approximately 5% of Group revenue in 2019. The Directors will continue to flex the response, including further restructuring if required, as the situation develops.

Fundamentally during the pandemic and its recovery, we will at all times ensure that the Group holds fast to its purpose and continues to conduct business in line with our values. We will use our valued expertise and leverage our trusted reputation with our customers and suppliers in the markets we operate in, prioritising delivery of essential services, whilst caring for and protecting the health and safety of our employees. The importance and purpose of the work we do in society is being highlighted as never before, particularly for cleaning and security services, which provide the foundation for our facilities management provision. The pandemic has brought into sharp focus how companies will work in the future, with distributed workforces becoming a key way of working for businesses to reduce continuity risk. Our serviced office business is well placed to respond to an increased requirement for office flexibility, in terms of additional space to facilitate companies moving away from traditional leased space.

Whilst COVID-19 is likely to continue to affect our lives for some time to come, significant relaxations of lockdowns are now being seen across virtually all countries in which we operate. Once confidence has fully returned and society normalises, we expect, as a result of the increased recognition of the value of our services and the changing nature of office space requirements, to emerge as a strong sustainable business.

### CORPORATE GOVERNANCE REVIEW

The corporate governance principles applied by the Company and how the Directors have considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty under section 172 are included in the Directors' Report.

### FINANCIAL REPORT

As reported last year, 2018 was a further year of delivery of the transformation plan for the Group following a major strategic review of the business. Having made significant progress in delivering stability within a focused portfolio, the business entered 2019 at the inflection point between "fix" and "grow". In 2019 the Board has continued to make focused investment choices, albeit the changes to the portfolio have been relatively small in 2019 compared to the significant remodelling of the portfolio undertaken in the previous two years.

The Group results show a profit after taxation excluding exceptional items of £1.9m (2018: loss of £2.1m). After exceptional items the loss after taxation for the year was £2.5m (2018: profit of £6.5m).

The Group results reflect continued improvement in the trading performance and 2019 results were a step change to 2018 and in line with management expectations. 2019 represents the transition to the growth phase for the business, despite market challenges faced by Landmark in the year. Stranded overheads arising from divestments have now been restructured out of the business and the benefit of this is seen in the 2019 results. The last quarter's trading momentum was positive, creating a solid base and a positive outlook for 2020, subject to the global uncertainty created by the COVID-19 pandemic.

The Group exited 2019 tracking ahead of its cash objectives with regards to the delivery of underlying cash flow and continues to benefit from extremely low levels of gearing. The Group was net debt free at the end of 2019, resulting from successfully executed divestments in the last two years and a strong working capital control programme, which limited the impact of cash consumption by the growing business.

# O.C.S. GROUP LIMITED

## STRATEGIC REPORT (continued)

### Reported results for the year

Details of the results for the year are set out in the profit and loss account on page 28. Comparative information for 2018 relates to the period from 2 January 2018 to 31 December 2018.

	2019	2018
	£'000	£'000
<b>TURNOVER</b>	<b>989,919</b>	961,213
<b>GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	<b>10,439</b>	5,448
Exceptional items	(5,330)	10,907
<b>GROUP OPERATING PROFIT</b>	<b>5,109</b>	16,355
<b>PROFIT/(LOSS) AFTER TAXATION - excluding exceptional items</b>	<b>1,904</b>	(2,099)
(LOSS)/PROFIT AFTER TAXATION - exceptional items	(4,380)	8,596
<b>(LOSS)/PROFIT AFTER TAXATION</b>	<b>(2,476)</b>	6,497

Turnover at £989.9m (2018: £961.2m) increased by 3.0% with growth in both facilities services and serviced office solutions and across all of the Group's key territories.

Group operating profit before exceptional items nearly doubled to £10.4m (2018: £5.4m), mainly due to reduced administrative expenses. Exceptional items relating to disposals of properties and operations, restructuring costs, pension costs and impairment of goodwill were a net cost of £5.3m (2018: net credit of £10.9m). After exceptional items, operating profit was £5.1m (2018: £16.4m).

The Group's share of operating profit of joint ventures increased to £1.5m (2018: £0.9m) and the Group's net finance cost was £2.9m (2018: £4.1m), the reduction being reflective of the full year benefit of 2018 executed portfolio changes and consequential lower gearing during the year.

The Group's tax charge for the year was £6.2m (2018: £6.6m), reflecting the territorial distribution of the Group's operations.

Pre-exceptional profit after taxation increased to £1.9m (2018: loss of £2.1m) and after the impact of exceptional items the Group's total loss after taxation was £2.5m (2018: profit of £6.5m).

### Trading results

The trading results for the year compared to the prior period (excluding joint ventures and exceptional items) are set out below:

	2019	2018
	£'000	£'000
<b>TURNOVER</b>	<b>989,919</b>	961,213
Cost of sales	(859,511)	(828,539)
<b>GROSS PROFIT</b>	<b>130,408</b>	132,674
Administrative expenses	(119,969)	(127,226)
<b>GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	<b>10,439</b>	5,448
Amortisation of goodwill and brands	9,879	8,919
<b>EBITA</b>	<b>20,318</b>	14,367
Depreciation *	18,863	16,724
<b>EBITDA</b>	<b>39,181</b>	31,091
Turnover growth	3.0%	
Gross profit %	13.2%	13.8%
Overheads % **	11.1%	12.3%
EBITA growth	41.4%	
EBITDA growth	26.0%	

\* Depreciation is depreciation and impairment of tangible fixed assets and amortisation of software excluding exceptional items

\*\* Overheads % is administrative expenses excluding amortisation of goodwill and brands divided by turnover

### STRATEGIC REPORT (continued)

In 2019 the Group continued to focus on winning contracts where it had a strong competitive position and offered the right value proposition for the right reward, maintaining strong bid disciplines and continuing to avoid the larger scale construction-based contracts that have been so damaging to the profitability of the broader facilities services sector. Investment in sales resources is being made to ensure the deployment of global best practice and facilitate the development of clear value propositions by sector and geography.

As a percentage of turnover, gross profit fell slightly to 13.2% (2018: 13.8%) mainly due to market pressures experienced by Landmark but with overheads also falling to 11.1% (2018: 12.3%), reflective of restructuring and sales growth, EBITA as a percentage of turnover increased to 2.1% (2018: 1.5%).

EBITDA, a key profit metric for the Group, was £39.2m, a 26.0% increase on the 2018 result. EBITDA as a percentage of turnover increased to 4.0% (2018: 3.2%). The growth in EBITDA shows 2019 to be a significant step up in the Group's performance and is reflective of the portfolio activity and necessary restructuring steps undertaken.

#### Financial position

The financial position of the Group at 31 December 2019 is set out in the balance sheet on page 26. The Group's net assets have decreased slightly to £92.0m (2018: £97.4m), mainly due to the loss after taxation of £2.5m (impacted by the net post-tax exceptional costs of £4.4m) and dividends paid of £2.7m.

No new impairments to goodwill carrying values were needed in 2019 as management had in previous years taken strong action to reduce carrying values of intangible assets where it saw risk to valuation given the future projections.

The Board reached an agreement with the pension trustee on the conclusions of the triennial valuation of the main OCS UK defined benefit scheme in 2018, which has been closed to new members since 2000. The agreed future funding plan recognises the progress made in reducing this pension liability over the past few years but continues to provide much needed security for pensioners. The net deficit on retirement benefit liabilities has reduced to £7.8m at 31 December 2019 (2018: £16.1m) after lump sum contribution payments in the year of £7.8m (2018: £5.8m) which will fall to £4.4m next year in line with the triennial valuation.

Net cash funds were £18.1m at 31 December 2019 (2018: £18.1m), a substantial improvement from the net debt of £61.0m reported at 31 March 2017 reflecting the improved trading performance of the Group, good control of working capital as demonstrated by a reduction in debtor days and the positive impact of portfolio changes. The Group has the capacity and capability to invest in future opportunities for growth.

#### **KEY PERFORMANCE INDICATORS**

The Group's Key Performance Indicators (KPIs) remained financially focused in 2019 given the importance of demonstrating the successful completion of the recovery plan. EBITDA was the Group's primary profit measure in the year as it provides a close linkage to cash performance:

- EBITDA (Group operating profit before joint ventures and exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was £39.2m (2018: £31.1m)
- Net cash funds of £18.1m (2018: £18.1m)
- Debtor days (trade debtors as a percentage of annualised turnover) of 38.6 days (2018: 43.6 days)
- Net assets of £92.0m (2018: £97.4m)

The Group ends the year with a strong balance sheet and 2019 performance was in line with expectations.

# O.C.S. GROUP LIMITED

## STRATEGIC REPORT (continued)

### REVIEW OF OPERATIONS

#### International Facilities Services

2019 was a year of stability with few changes to the portfolio of business and most restructuring activities having been completed by the end of 2018. Business development capability continues to be built and the sectorised business models, now embedded in the structure, are proving to be the correct approach to delivering the Group's value propositions to customers in a focused way.

The **UK, Ireland and Middle East** business had a good year of sales and profit delivery, validating the previous restructuring activity which included the implementation of its own focused sector-based structure. A strong UK business development engine with appropriate financial bid disciplines is emerging, with some significant wins, adding further scale in 2019 and beyond on an improved overhead base. Ireland had a particularly good 2019, benefitting from the retention of key contracts and a good level of new contract wins in the year. The Middle East, primarily UAE, delivered sales growth but financial performance in terms of profitability and cash generation was below expectations. Priority sector choices continue to underpin the strategic focus of the UK, Ireland and Middle East region and the mobilisation of the UK's largest ever contract in April 2020 will support delivery of the strategy in the coming year.

**Asia-Pacific** had another very positive year. The Group's market leading businesses in Thailand and New Zealand both continued to deliver strong performances in 2019. Thailand's sector operating model is showing good traction and New Zealand's branch structure provided the platform for excellent sales and profit growth. Especially pleasing was the delivery of the planned turnaround by Australia, which returned to profitability in the year following the significant restructuring activity in 2018. India achieved sales growth in the year but profitability was below expectations, the business is in a rapidly developing market, has both hard and soft service capability and under new management has a clear plan to capitalise on the presenting market opportunity. Malaysia grew its sales and profit in the year, whilst eliminating under-performing contracts and the Group's sub-scale Singapore business was sold in the year.

#### Serviced Office Solutions

**Landmark** is a UK business with a clear client focus and an established brand and value proposition. In the last few years Landmark has scaled significantly, both organically and by way of acquisition, including in 2019 the acquisition of The Space Holdings London Limited bringing an additional eight sites into the portfolio. The acquired business has performed ahead of expectations but Landmark's performance elsewhere in 2019 was adversely affected by the excess capacity brought to the market, depressing workstation rates with the primary issue in the City of London. Occupancy levels have, however, remained high which will allow the business to respond to changes in the pricing environment. Landmark continues to present a strong opportunity for value creation in a flexible working market with positive long term growth dynamics and adoption trends with serviced office penetration still very low in the context of total office space.

### FUTURE DEVELOPMENTS

The business conducted a strategy review in 2018 that further clarified "where to play" and "how to win". This has set the growth agenda for the next phase in the development of OCS within the context of the common shared purpose previously agreed with shareholders. Portfolio choices and investment priorities are clear, together with required systems improvements, process enhancements and actions across the human resources/leadership agenda.

2019 definitively concluded the "fix" phase of the recovery plan and marked the inflection point at which the business transitioned to profitable growth. The Group has financial stability and strategic options to accelerate and augment further value creation.

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

## O.C.S. GROUP LIMITED

### STRATEGIC REPORT (continued)

#### 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 Group 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 Group's policy on liquidity is to ensure that it has committed borrowing facilities available to provide continuity of funding.

The Group's £100m revolving credit facility with HSBC, Santander and Barclays is fully committed to 30 April 2021 and £70m is committed to 30 April 2022. Covenants in the facility cap net debt at 2.75 times EBITDA (as defined in the facility) and require a minimum fixed cover ratio reflective of the level of the Group's serviced office business. This facility provides the Group with a strong level of committed borrowing facilities for the future and, given the low level of current utilisation, affords it a good level of financial flexibility to pursue the available strategic growth options in its sectors of choice.

The Group has continued to fully comply with its banking covenant tests in 2019.

The Group is exposed to interest rate risk on its bank debt and seeks to manage volatility through a blend of fixed rate and floating rate facilities. The Group is net debt free at the balance sheet date.

The Group trades in many countries and is exposed to foreign exchange risk related to dividend income from overseas subsidiaries and the translation into sterling of the reported results and net carrying value of overseas investments. There has been a foreign exchange loss of £1.1m (2018: gain of £1.0m) on the conversion of overseas results and net assets. These amounts are shown in the statement of comprehensive income, not the profit and loss account.

The Group manages treasury and its exposure to foreign exchange risk and constantly monitors the market. The policy applied is that where the Group elects to hedge it does not engage in speculative derivatives and will only hedge certain known transaction exposures, favouring the opportunity for a natural hedge where possible. In addition, a policy of regular cash repatriation is in place to ensure that excess funds do not accumulate overseas. Within each country treasury is reasonably self-contained and there is little operating activity denominated in non-domestic currencies and very limited intercompany trading.

The Group's credit risk is primarily attributable to its trade debtors which are stated net of provisions for doubtful debts. Debtor days (trade debtors as a percentage of annualised turnover) are 38.6 days (2018: 43.6 days), reflecting continued focus on robust credit control and cash collection. The Group credit risk exposure is spread over many clients, sectors and countries. The credit risk on liquid funds is minimal as the Group uses a mixture of established banks with good credit ratings in the territories in which it operates.

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

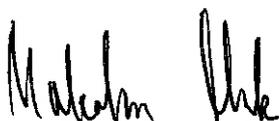
#### STAKEHOLDER RELATIONSHIPS

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

OCS has some 85,000 staff worldwide including joint ventures, around 200 shareholders and thousands of retired members of staff. As a people business OCS, internationally, is a very significant employer in the territories in which it operates.

The Group 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 build a business that does things 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.



**Malcolm Clark**

Company Secretary

25 June 2020

# O.C.S. GROUP LIMITED

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

The Strategic Report on pages 2 to 8 contains a fair review of the Group's business and a description of the principal financial risks and uncertainties facing the Group. 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 REPORT

As reported last year, the Board reviewed its corporate governance arrangements and determined to adopt the Wates Corporate Governance Principles for Large Private Companies, following the introduction of The Companies (Miscellaneous Reporting) Regulations 2018 ("the Regulations"). Under the Regulations it is necessary for large companies as defined under the Regulations to publish a statement of their corporate governance arrangements in their directors' report and on their website, including whether they follow a formal code, for accounting periods commencing on or after 1 January 2019. Historically the Board supported the principles of the UK Corporate Governance Code (April 2016) issued by the Financial Reporting Council (FRC) and voluntarily provided a summary of its governance against the principles of the Code to its shareholders. In 2018 the Government invited the FRC to work with a variety of partners to develop a set of corporate governance principles for large private companies. This review was led by James Wates and his working group were asked to prepare principles to help those companies comply with the reporting requirements under the Regulations. The six principles are:

- 1. Purpose and Leadership** – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.
- 2. Board Composition** – Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.
- 3. Director Responsibilities** – The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
- 4. Opportunity and Risk** – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.
- 5. Remuneration** – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.
- 6. Stakeholder Relationships and Engagement** – 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.

In adopting the Wates Principles, the Directors present below how they have applied the six principles set out above and how the Directors have met their duty under section 172 of the Companies Act 2006.

### DIRECTORS' REPORT (continued)

#### **Principle One - Purpose and Leadership**

The OCS Group is a fifth-generation 120 year old family owned business, delivering vital facilities services including security, cleaning, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services. The Group also delivers serviced office solutions through its Landmark business. The Group has a strong focus on offering sustainable value adding solutions and has operations across Asia-Pacific, the United Kingdom, Ireland and the Middle East.

The Group benefits from a well dispersed set of interested shareholders, which has expanded to the fifth generation of the family. The Board has continued to appreciate the encouragement, support, engagement and interest demonstrated by shareholders. In 2016 the Board arranged a Corporate Governance Committee to be formed, to undertake a review of its relationship with its shareholders with the aim of "Improving engagement between the Company and its Shareholders". The Board was delighted with the response it received from its shareholders with 148 shareholders completing a survey, representing 75% of the shareholders in place at the time. As part of the process, the committee adopted a definition of family business governance as "Fair structures, processes and policies that achieve transparency and organised accountability between the owners and the board in service of the agreed shared purpose". The agreed shared purpose remained unchanged in 2019 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 equity 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 Board believes that the definition of family business governance adopted in 2016 by the Board sits well under the Wates Principles, as these are the core principles under which the OCS business is conducted and aligns with the values of OCS.

In 2018 the Group undertook a detailed strategy review, which highlighted that the market environment in which the Company competes varies significantly by territory. Inherently the facilities services market is a lower margin business internationally, where scale is important to create value and where generally hard services attract a better margin than soft services. The serviced office market in the UK is higher margin and is forecast to continue to grow rapidly over the next decade, which is attracting capital and international competition. In contrast, the facilities services sector in the UK has been badly impacted by corporate financial and reputational failures over the last couple of years.

Across all our markets there is a constricted supply of labour and colleague retention rates outside of the UK are low, creating higher costs and risk. In light of the risks and opportunities identified and in line with the common shared purpose of having a sustainable business, the Group formed a strategy to have a strong market presence across prioritised industry sectors, which were determined to be, business and industry, destinations and venues, financial and professional, government, healthcare, aviation, manufacturing and technology, alongside a robust serviced office business in the UK. This sector-based strategy has set the growth agenda for the next phase in the development of the Group and as part of the process, clear portfolio choices and investment priorities were identified and have been enacted. Systems improvements, process enhancements and actions across the human resources/leadership agenda were also identified.

A clear strategy for each company within the Group has been agreed with the Board, which has been clearly communicated and local management teams are working to deliver on the agreed objectives for each company/territory. The strategy has been communicated and presented to shareholders on various occasions, with the shareholders being supportive of the Board in delivering the strategy in line with the shared purpose.

#### **Shared purpose**

In support of the shared purpose, the Board, through the Executive Leadership Team, revisited the core values in 2018 and engaged with colleagues throughout the Group to obtain their understanding of the OCS values. Through the evaluation process, our values have been simplified to "Care, Safety, Trustworthy and Expert" which were launched at the beginning of 2019. They guide everything we do, and everything we don't do. They represent us at our best. By living our values, we focus not just on what we do for our customers 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 customers too.

We have been very encouraged by the excellent engagement of our colleagues with our simplified values since they have been launched. We have undertaken a Group wide survey to help re-assess, nearly one year on from launch, how widely our new Values are now recognised, and the most effective channels that we have in order to continue to promote them across our business. Feedback from colleagues has been overwhelmingly positive.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

We are a people business employing some 85,000 employees within the Group and our joint ventures. Our colleagues are employed under formal contracts of employment be they permanent, fixed-term or zero-hours. We also use agency workers and temporary workers, but irrespective of the type of contractual arrangement, the health and safety of our people is the most important issue for us as a business. As identified within our strategy review across all our markets, there is a constricted supply of labour and colleague retention rates outside of the UK are low, creating higher costs and risk. During the year, the Group embarked on a project sponsored by the interim Chairman to improve colleague retention, which involved a substantial number of workshops, held with a broad range of colleagues across the Group. Through this process, a better understanding was gained of the reasons why our colleagues remain or decide to leave the organisation. Action plans have been developed and have been implemented or are piloting in each territory to address any issues noted. New key performance measures for our colleague turnover are being reported on each month and ongoing evaluation of the progress is regularly reviewed by the Executive Leadership Team. Through the work undertaken, this has assisted in us further understanding the culture within the business and aligns with our Shared Purpose. We continue to expand our e-learning platform, facilitating development opportunities through training, as well as delivering critical modules on health and safety, IT security and our Code of Conduct.

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

#### Principle Two - Board Composition

As a family business, in addition to the Chairman, there are three elements to the Board. The Executive Directors, the Family Non-Executive Directors with special responsibilities for representing the family and the Independent Non-Executive Directors. This structure is designed to create Board and shareholder alignment on the direction and strategy of the Group.

The Directors who served during the year and the current Board of Directors are:

Peter Slator	Chairman from 1 January 2020 (previously Group Chief Executive)
John Hunter	Group Chief Executive from 27 March 2020, previously Group Finance Director
James Darnton	Group Finance Director (appointed 1 April 2020)
Christopher Stephens CBE	Senior Independent Non-Executive Director *
Wendy Barnes	Independent Non-Executive Director
John Coghlan	Independent Non-Executive Director (appointed 14 January 2019)
Louise Stewart	Family Non-Executive Director
Ian Hemming	Family Non-Executive Director

\* interim Chairman from 17 September 2018 to 31 December 2019

The Company and the Group have provided qualifying third-party indemnities for the benefit of the Directors of the Company and for the benefit of the directors of the Company's subsidiary undertakings in the year and up to the date of this report.

#### **Chairman**

In line with the shareholder consultation undertaken in 2016, the Chairman of the Company may be either a family or non-family director and currently the Chairman is non-family.

When Christopher Stephens took on the role of interim Chairman in September 2018, he agreed with the Board that he would only carry out the role until December 2019. This timeframe was intended to provide stability for the Board and to be able to recruit a new Chairman. Also, just before Christopher Stephens was appointed interim Chairman, Peter Slator informed the Board that he would retire from his role as Group Chief Executive. He had both professional and family reasons for wanting to lighten his workload. As a result, he stepped down as Group Chief Executive on 31 December 2019 with the full support and gratitude of the Board.

The shareholders were advised in September 2018 that it was the intention of the Board to commence a formal process for the appointment of the new Chairman in line with the 2016 Governance Review. However, after Board discussions with Peter Slator he agreed to be a candidate for the role. The Board considered him a very credible candidate and together with an external head-hunter he was formally interviewed for the role. The favourable conclusion of the interview and the recognition of the benefits of continuity of leadership after the significant progress over the last three and half years, led the Board to conclude that Peter Slator was the best person for the role. Having offered him the position of Chairman, he accepted the role and took over as Chairman from Christopher Stephens on 1 January 2020.

Christopher Stephens continues to Chair the Remuneration Committee and reverted to his role of Senior Independent Director on 1 January 2020 when Peter Slator was appointed Chairman.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

**Christopher Stephens** was previously Group Human Resources Director of Exel (now DHL), the international logistics company. Since 2002, Christopher has held a number of non-executive roles including as non-executive director of WSP, a global engineering consultancy from 2003-2012 and Holidaybreak plc, a travel and education business from 2008-2011. He was Chairman of Traidcraft from 2006-2011. From 2011 to 2016, Christopher was Chairman of the Judicial Appointments Commission. In 2016, he was awarded a CBE for services to the Judiciary. Prior to this, he was a Member of the Senior Salaries Review Board and a Civil Service Commissioner (2004-2009).

Christopher also has extensive experience in the charitable sector. He is a Trustee of Power to Change, a company endowed with £150m of Big Lottery Funding, to help build community businesses across the UK. He was reappointed Chairman of the DHL UK Foundation in July 2015, having previously undertaken the role from 2005-2011.

#### Executive Directors

**Peter Slator** served throughout the year as Group Chief Executive and **John Hunter** served as Group Finance Director. Peter and John were responsible for the day to day running of the business together with the Group's Executive Leadership Team.

As detailed above Peter Slator stepped down as Chief Executive Officer on 31 December 2019 and was succeeded by John Rajchert as the Group Chief Executive on 1 January 2020. John Rajchert was appointed to lead the growth strategy of the Group but due to the intervention of the unprecedented challenge of COVID-19 it was felt it was best for him to step aside and for the existing well-established Group Executive Leadership Team to lead the co-ordinated response to COVID-19 with speed and confidence. Equally as important it would allow John to return overseas to be with his wife and family. As a result, he stepped down as Group Chief Executive on 27 March 2020 and John Hunter, the Group Finance Director, was appointed Group Chief Executive Officer in his stead. John Hunter has been with the business for over four years and the Board feels fortunate to have such a capable leader, with deep experience and knowledge of the business, who is willing and ready to step up to the challenge.

Following John Hunter being appointed Chief Executive Officer he has now stood down as Group Finance Director and James Darnton has been appointed in his stead. James has been with the Group for just over two years and held the position of Regional Finance Director UKIME. James brings a wealth of experience and the Board is delighted to have appointed James into this role.

**Peter Slator** spent five years at Rentokil Initial prior to joining OCS as Divisional Managing Director for their European and Pacific business and prior to that 28 years at Unilever working in UK, Africa and Asia Pacific, in a range of corporate and senior general management roles. His last role in Unilever was CEO of the Pacific business based in Sydney. During this role he was also the Chairman of the Australian Food and Grocery Council for four years.

**John Hunter** has leadership experience across a broad range of industries. He has primarily spent his career in global organisations, with his previous roles including finance and general management. He has lived and worked in Europe, Asia and the US. Some of the previous positions John has occupied include the role of CFO ICI Paints a leading global decorative company and CFO and CEO of SDL PLC, a leading language and content management technologies company listed in the UK. He spent 20 years in the ICI Group in various international roles.

**James Darnton** has held a number of senior roles within the service sector including being the Finance Director of Initial Catering Services for over six years and spending 13 years at G4S, where he was Regional Finance Director UK and Africa for nine years before moving to Regional CFO Asia Middle East for G4S where he was responsible for financial leadership of a large portfolio of businesses providing security services, cash management and government support services. Most recently he was Group CFO at VPS Ltd, a private equity backed company specialising in vacant property security.

#### Independent Non-Executive Directors

In addition to the Chairman, during the year the Board had two Independent Non-Executive Directors, Wendy Barnes and John Coghlan.

**Wendy Barnes**, a statistician by profession, spent over 23 years in the utilities industry, working with British Nuclear Fuels Limited and United Utilities Group PLC. In her executive roles, she held responsibility for customer service, business development and strategy. Since 2002, Wendy has had a portfolio career, with non-executive roles and consultancy work in both the private and public sector, including security, defence and the environment. From 2011 to 2012, Wendy was a Director General at the Department of Energy and Climate Change (DECC). Currently she serves as non-executive director on the boards of BMT Group and Scottish Power Energy Networks.

Wendy has experience and a special interest in information risk and cyber security. She is a director of Templar Executives and acts as an external advisor in raising cyber awareness on private and public sector boards.

Wendy was appointed a Non-Executive Director on 8 July 2015 for a period of three years and the Nominations Committee and the Board subsequently agreed to appoint Wendy for a further term of three years from 8 July 2018 to 7 July 2021.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

**John Coghlan** has extensive experience as a Non-Executive Director across a number of sectors, currently including Clarion Housing Group and Severn Trent PLC. John is a chartered accountant and, prior to taking up various non-executive roles over the last 12 years, he was Deputy CEO/Group CFO of Exel (now DHL) for 11 years and held other finance roles earlier in his career. John was appointed a Non-Executive Director on 14 January 2019 for a period of three years with his term of office expiring on 13 January 2022.

#### Family Non-Executive Directors

The two Family Non-Executive Directors of the Company are **Louise Stewart** and **Ian Hemming**. Both Louise and Ian sit on the Audit and Risk Assurance Committee and Nominations Committee. Louise also sits on the Remuneration Committee.

**Louise Stewart** was approached to run a start-up beauty business in Wimbledon, following an early career in retail management with Harvey Nichols. Identifying an opportunity, she bought the business in 1982. The following 19 years comprised growing the business together with family life. She then successfully negotiated the sale to a high street chain. After a period as an independent consultant, Louise teamed up with a medical surgeon to set up one of the UK's first Medispas in 2004. The business has enjoyed consistent growth and is considered to be a market leader in its sector. Louise was appointed a family non-executive director on the 1 November 2015 for a period of three years. The Nominations Committee and the Board have extended Louise's appointment to 8 July 2021.

**Ian Hemming** has 25 years' experience working for FTSE 100 listed Informa plc. During his 15 years as CEO of Informa Telecoms & Media, Ian was responsible for operations in Europe, Asia, Middle East, Africa and North America and led the successful acquisition and integration of six businesses into the group. He was also member of the Group Operating Board and the Group Risk Committee. A business graduate from the University of Bath, Ian completed the Advanced Management Program at Insead in 2003. Ian is currently Managing Director, Events at The Economist Group where he is also a member of the Executive Leadership Team. Ian was appointed a family non-executive director on 10 July 2017 for a period of three years. The Nominations Committee and the Board have extended Ian's appointment to 9 July 2023.

#### Appointment and reappointment of Directors

All proposed appointments and reappointments are formally considered by the Nominations Committee before being proposed to the Board.

All newly appointed Directors hold office until the dissolution of the Annual General Meeting following their appointment, unless they are re-appointed during the meeting. At every Annual General Meeting all directors retire from office and subject to the Articles of Association of the Company may, offer themselves for reappointment by the members.

All Non-Executive Directors are appointed for an initial fixed period normally of three years and thereafter, subject to satisfactory performance and being reappointed at each Annual General Meeting, they may serve for further terms with a maximum recommended period of nine years in office.

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 through the Nominations Committee does not set predetermined diversity targets for membership of the Board but looks to ensure there is an appropriate balance of expertise and diversity.

As referred to above, all Directors stand for re-election at each Annual General Meeting of the Company and the Committee believes that the Board will benefit from the re-election of Christopher Stephens, Peter Slator, John Hunter, Wendy Barnes, John Coghlan, Louise Stewart and Ian Hemming and the reappointment of James Darnton at the forthcoming Annual General Meeting.

#### Board and Committee performance evaluation

Following a Board evaluation undertaken in 2018, it was determined that an additional independent non-executive director with financial and commercial experience should be appointed, which led to the appointment of John Coghlan in January 2019. The Board performance and Committee evaluation process this year began in November 2019 with an internal evaluation of the performance of the Board and the Committee's, being undertaken by the interim Chairman, and was facilitated by a questionnaire completed by each Director and the Company Secretary. An evaluation of the Chairman's performance was facilitated by Wendy Barnes, the longest serving independent director, and by the completion of a questionnaire by each Director and the Company Secretary. The Chairman and Wendy Barnes shared the results of the questionnaires with the Board at a meeting in December 2019. Through the evaluation process, there was agreement that the Board and its Committees operate effectively and that the structure of the Board allows effective decision-making and independent challenge. The Board believes with the appointment of John Coghlan at the beginning of 2019, it has the required 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.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

Annual performance appraisals of the Executive Leadership Team members are undertaken by the Group Chief Executive, to whom they report. The performance appraisals of the Group Chief Executive and the Non-Executive Directors are conducted by the Chairman, taking into account the views of other Directors.

#### Development

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

#### Principle Three - Director Responsibilities

##### Board accountability

The Board is collectively responsible to the shareholders for ensuring the long-term success of the Company, together with the overall strategy, management, direction and control of the Group. It is also responsible for monitoring the Group's performance and for ensuring that prudent and effective controls are in place to manage risk in line with the board's risk appetite. The Board sets the Group'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 Group Chief Executive together with the Board, are responsible for the development of the Group strategy. The Group Chief Executive has responsibility for delivery of the Group strategy together with all aspects of the operation and management of the Group.

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 Group. It also ensures that the decision-making process cannot be dominated by an individual or a small group of individuals. As the Company is a family business, under the Articles of Association the Family Non-Executive Directors have certain veto rights if they vote collectively against the resolution of the Board.

There are eight scheduled meetings in the year, at which the Board reviews all significant aspects of the Group's activities, monitors the performance of the executive management team reviews corporate risks and makes decisions in relation to those matters that are specifically reserved to the Board. Additional meetings of the Board are held as and when required. There is a formal schedule of reserved matters which is reviewed on an annual basis and includes the approval of:

- the Group's strategy and long-term objectives
- significant acquisitions and disposals
- dividend policy
- treasury policies
- internal controls
- risk management
- financial and reporting controls.

The Company has a Group Executive Leadership Team (ELT) who has responsibility for implementing and delivering the Group strategy, together with responsibility for the day to day running of the Group. The ELT meets on a regular basis and has scheduled conference calls between meetings. The ELT during the year comprised:

Peter Slator	Group Chief Executive
John Hunter	Group Finance Director
Richard Baylie	Group Chief Information Officer
Malcolm Clark	Group Company Secretary
Marianne Holgate	Group Director of HR and Corporate Affairs
Gilles Mahe	Chief Executive Officer - APAC
John Spencer	Chief Executive Officer - Landmark
Robert Taylor	Chief Executive Officer - UK, Ireland and Middle East

On 31 December 2019 Peter Slator stepped down from the ELT, on 3 February 2020 Jon Corner was appointed to the ELT as Chief Commercial Officer and James Darnton has now been appointed to the ELT from 1 April 2020.

The Company maintains Directors' and Officers' liability insurance cover.

The Board has delegated certain of its powers to Board Committees, namely Nomination, Remuneration and Audit & Risk Assurance Committee, which deal with specific aspects of the Group's affairs. Each Committee has written terms of reference which are reviewed on annual basis. For each Board and Committee Meeting there is a formal agenda with supporting papers issued in advance of each meeting. The Board receives a summary each month of the Group's financial performance, including both financial and non-financial key performance metrics. In addition, the Board receives Regional Operating Reports which provide comprehensive information on the performance of each subsidiary in the Group. These reports together with additional information on issues affecting the business, enable Directors to monitor and challenge the performance of the Group and make informed decisions.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

#### Nomination Committee

The Nomination Committee comprises Christopher Stephens, Peter Slator, Wendy Barnes, John Coghlan, Louise Stewart and Ian Hemming. Christopher Stephens chaired the committee during the year, until the appointment of Peter Slator as Chairman on 1 January 2020, when Peter assumed the position of Chair of the Committee. From 1 January 2020 John Rajchert was also appointed to the Committee but stepped down on 27 March 2020 when John Hunter was appointed in his stead. The Committee undertakes a regular review of succession planning for the Executive Directors, the Executive Leadership Team and other senior management of the Group. It is responsible 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 Group.

#### Remuneration Committee

The Remuneration Committee comprises Christopher Stephens (Chair), with the other members of the Committee being Wendy Barnes, an Independent Non-Executive Director and Louise Stewart, a Family Non-Executive Director. Executive Directors are not permitted to sit on the Committee. The Committee is advised by the Group Chief Executive, the Group Director of HR and Corporate Affairs and independent advisers, as and when necessary.

The Group's remuneration policy is to provide executive remuneration packages which are designed to align the financial interests of executives and shareholders, attract, motivate and retain directors of high calibre and to reward them for enhancing value to shareholders. All Executive Directors have service contracts with the notice period being twelve months.

As part of the Company's corporate governance review, the Company voluntarily adopted as far as practicable, the standards on reporting director's remuneration that apply to quoted companies. The Board prepares a separate Remuneration Report for shareholders each year and has a formal Remuneration Policy. During the year the Company operated in line with the Remuneration Policy. A new Remuneration Policy has been prepared which will be formally voted upon together with the Remuneration Report for 2019 at the Company's Annual General Meeting.

#### Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee comprises Wendy Barnes (Chair), Christopher Stephens, John Coghlan, Ian Hemming and Louise Stewart.

The Committee meets at least three times per year at appropriate times in the financial reporting and audit cycle and otherwise as required.

The Committee provides a forum for reporting by the Group's external auditor and meetings are also attended by certain executives, by invitation. The Committee is responsible for reviewing and reporting to the Board on a range of matters including:

- the annual financial statements and significant reporting judgements therein
- developments in accounting and reporting requirements
- the scope, effectiveness, independence and objectivity of the external audit
- meetings with the external auditor including discussion of their management letter
- the appointment of external auditors and their remuneration
- internal control and risk management systems
- reviewing and challenging the mitigation of the key business risks
- reviewing the organisation's compliance with procedures, controls and systems for detecting fraud; the prevention of bribery and whistleblowing
- internal audit.

The external auditor of the Company is Deloitte LLP who also provided limited tax services during the year. The Committee takes seriously its responsibility to put in place safeguards to ensure the independence, objectivity and effectiveness of external audit. There is a formal policy in place to cover the use of the external auditor and for obtaining approval from the Audit & Risk Assurance Committee on the use of the auditor for non-audit work.

The members of the Audit & Risk Assurance Committee have met with the external auditor to discuss the results of the audit of the 2019 financial statements without Executive management present. The Committee also reviewed and approved the letter of representation required by the auditor. Deloitte LLP as auditor has confirmed to the Audit & Risk Assurance Committee that it remains independent within the meaning of APB Ethical Standards and has maintained internal safeguards to ensure its objectivity.

#### Executive Committee

In addition, the Board has an Executive Committee, with its members being the Chief Executive Officer, Group Finance Director and Group Company Secretary who meet as and when required to approve bids and other matters in line with the Scheme of Delegated Authority approved by the Board.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

#### 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. The Board also has a formal share dealing policy which restricts the ability of the Directors and other senior employees to trade in the shares of the Company from 1 December each year, to the date the Company's new annual share valuation is announced to shareholders. The Board may also determine at other times if it is appropriate to declare a closed period when the Board is in possession of inside information.

In line with the Company corporate governance arrangements, all Directors' and members of the Executive Leadership Team's share dealings are published on the Company Shareholder Portal within seven days of the transaction taking place, showing the type of instrument, the nature of transaction, the price and volume, and the date of transaction.

#### Relations with shareholders

As set out in Principle Two the Board has two Family Non-Executive Directors and as part of their responsibilities, they engage with family shareholders. During the year they have continued to hold individual meetings with family shareholders and operate open surgeries, inviting shareholders to meet with them to discuss views and concerns. In addition, the interim Chairman and the Group Chief Executive have met with several shareholders to understand their views on a range of subjects. This process facilitates a formal communication channel to ensure the Board is aware of and consider ongoing shareholder sentiment and feedback. The Company sends out regular updates to its shareholders in relation to the trading position of the Company and developments that are taking place. Twice a year the company holds formal business sessions for all shareholders, with one of the meetings coinciding with the Annual General Meeting.

#### Principle Four – Opportunity and Risk

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

#### Risk identification

The Board and the Executive Leadership Team regularly review identified risks and new risks, with the Board undertaking two formal risk register review meetings each year. Risk accountability is effectively devolved, with each strategic risk assigned to a member of the Executive Leadership Team (ELT).

To provide assurance on risk management, the Audit & Risk Assurance Committee undertakes "deep-dive" reviews on targeted, specific risks and has the responsibility for:

- keeping under review the effectiveness of the Company's internal controls and risk management systems
- monitoring the mitigation taken by the Company in managing the target risks
- keeping under review the Company's overall risk assessment processes that informs the Board's decision making, and
- review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

As reported last year during the Group's recovery period, the Board identified several strategic factors which were critical to the success of the recovery. As the Group exits the recovery period, the Board has undertaken a further review facilitated by the Group Risk and Assurance Manager, in discussions with members of the ELT aimed to address all significant areas of risk remaining in OCS Group business activities. Executives were asked to identify principal risks including those that would threaten the Group strategy, future performance, solvency or liquidity and estimate the potential likelihood and impact of these risks. Interviewees were asked to identify the most significant mitigations and controls in place (including financial, operational and compliance controls) to manage these risks. The most significant risks identified were:

- increasing frequency of attacks, threat of cyber-attack and information security
- disruption caused by new entrants into the serviced office market, with increased supply impacting workstation rates
- ensuring an appropriate supply of labour to drive and sustain profitable growth internationally and post-Brexit immigration policy, which may restrict immigration or labour supply in the UK
- successful implementation of core business projects focused on systems and process
- inability to grow contract portfolio in line with the strategic plan.

### DIRECTORS' REPORT (continued)

#### COVID-19

Following the year end, as part of the control environment to manage the Group through the COVID-19 pandemic and recovery phases, a dedicated Project Management Office ('PMO') was established to co-ordinate the Group's response. The PMO connects directly with each territory on the execution of pandemic responses. Each territory is prime in executing plans under a common framework. The role of the PMO includes:

- 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 with each territory to protect liquidity
- managing the changing client requirements and their impacts on employees
- 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.

This has allowed the Group to identify how best to act to mitigate commercial, operating and financial risks and initiate actions to maximise any opportunities arising from the pandemic, co-ordinating across the globe. The Group's strategy will be reviewed for the resulting impact of actions taken, with a consideration of those areas most affected towards the end of 2020, and a re-validation of the strategy undertaken in early 2021. As demand is expected to rebound over time, it is not expected that a large-scale re-invention of the Group's value propositions is required.

Key risks to the Group identified as part of this process are:

- **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
- **customer impacts:** inability to engage with our customer base under appropriate commercial terms and the financial vulnerability of customers 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 Group, once consideration of these risks has been taken into account, is described in the Going Concern section of this Directors' Report on pages 23 and 24.

To improve **financial resilience**, the Directors have 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:

- cancelling the dividend scheduled for April 2020 - the importance of dividends to shareholders is recognised but the payment of future dividends will only restart when the Board considers it appropriate to do so based on presenting circumstances at the time
- discretionary capital and operating expenditures have been postponed or cancelled
- government grant and tax deferral support schemes have been enacted where possible and appropriate
- long term incentive scheme vesting dates scheduled for the first half of 2020 have been delayed
- payments due under the 2019 short term incentive schemes have been delayed and the structure of the 2020 scheme has been reviewed with the Remuneration Committee to reflect changes in the Group's position as a result of the pandemic
- all Directors have taken a voluntary, temporary pay reduction and annual salary increases have been cancelled, both these actions have been mirrored for much of the senior and middle management teams
- necessary downsizing restructuring is being undertaken in those geographies and sectors most badly affected
- increasing our already high level of focus on working capital management and bad debt control, with enhanced forecasting of liquidity across the Group
- 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.

### DIRECTORS' REPORT (continued)

The Company's **employees** have reacted admirably to the pandemic. Supported by regular communications, this attitude has enabled a successful unified response to changing government lockdown restrictions and operating requirements. Employees remain the pride of our business in their often-essential front line roles for customers, the public and broader society. Employees have demonstrated dedication and commitment, professionalism, courage and compassion. Our primary focus has understandably been to ensure their well-being in the work environment, ensuring employees stay safe in line with our established rigorous processes to manage safety.

The Group is aiming to protect as many jobs and retain as many employees as we can internationally. Where we can, we are retraining and redeploying employees to on-going contracts with sustained and even increased demand and implementing government support schemes, such as furlough, as appropriate, consulting with trade unions as necessary. We are working in true partnership with our clients to manage our way collaboratively through the pandemic period. Employees are being assisted to take advantage of government schemes where these can only be claimed by them directly. We also understand the mental stress that can be placed on frontline workers and those furloughed. They are actively encouraged to access our Safecall helpline and to have regular contact with their management or team leaders, to support their well-being.

Our strong technology and processes have supported remote working in much of the world, enabling non-frontline employees to continue working effectively. The response to our social media thankyou flowers campaign to show appreciation for our frontline employees further demonstrates the respect colleagues have for one another and the level of customer support during this period has been excellent. Local initiatives and projects to support communities have also continued.

The strength of our **customer relationships** has more than ever been evident. The Group has reacted swiftly to satisfy changing client requirements and preferences, flexing to meet additional demand and collaborating to determine the safest manner in which to carry out customer operational priorities.

The strength of our customer relationships has also created new opportunities, from additional specialist deep cleaning, and marshalling queues outside grocery stores, to working with governments to create field hospitals and providing additional hand sanitisers and consumables to New Zealand police. This additional revenue is helping to partially mitigate other shortfalls in demand. There are also new possibilities arising in the market, for example in the changing client base and in the potential demand for flexible office space away from conventional leases in periods of recession, for our Landmark serviced office business.

As regards overall **revenue** levels, our capacity to deliver services has not been substantially affected, either for existing or new business and our significant contract win with HM Courts & Tribunals Service for cleaning and security services mobilised successfully in April. Our pipeline prospects are largely still in place, but understandably, many are delayed until assurance that the worst period of the pandemic has passed. However, on the flip side clients have extended contracts to maintain stability.

As lock downs ease and life gradually returns to normal in phases, our customers and the public will want to be confident that it is safe to return to their offices, factories, public venues, schools, and other places. The Group has a crucial role in helping to build this confidence, delivering and consulting on pre-opening services and continuing to perform an essential role in society by keeping workplaces hygienic and safe. We have continued to win ROSPA gold health and safety awards, demonstrating our ability to deliver services in a safe manner. The Group Chief Commercial Officer is leading a global sales fightback initiative to ensure that the Group takes advantage of opportunities arising in the changing market, including pre-opening activities, and to ensure that the path taken during the recovery from the pandemic is managed appropriately, adapting or enhancing commercial policies where needed to protect profitability and enhance future growth prospects.

The most material reductions in demand seen to date and areas identified as expected to have a longer period of recovery are typically sector-specific around the world in aviation, retail and destination and venues. In contrast, healthcare and public sector revenues are remaining strong. Our Indian business is where most restructuring actions have been necessary to reflect lower overall demand and customer viability and we have downsized our business in Malaysia and parts of our UK Aviation business. In our Landmark serviced office business in the UK, revenue levels are forecast to fall in H2 2020 reflecting SME (small and medium-sized enterprises) client risk, but the business has largely avoided exposure to one person client co-working solutions which was a key focus for some competitors. The Landmark business will commence recovery as government lockdown restrictions are eased and businesses return to office life, with a renewed focus on the benefits of flexible office solutions. Our pipeline in Landmark has also seen an interest from corporates needing short term space to allow employee disbursement over multiple locations, but also in the medium term, to support a partial move away from exclusive use of conventional long lease office space to a combination of flexible and conventional office space.

Sadly, criminals are seeking to take advantage of the pandemic and the general level of **cyber crime** has significantly increased. In response, the Group has increased prevention and early detection controls particularly in anomaly detection, and will continue to adapt to the challenges faced, seeking to avoid business disruption, increase awareness and communicate guidance to minimise risks and to protect data against breaches.

Our **supply chains** have continued to be robustly managed. The pandemic response by our procurement teams has been to focus on carefully coordinating and sourcing at the right time, tracking and monitoring the health of the supply chain and checking the quality of supplies.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

#### Risk management

The risk management methodology adopted by the Board has proved to be an effective framework for driving risk management effectively throughout the Group. The methodology is being driven by the Group Risk and Assurance Manager to ensure consistency of approach and the Group Corporate Risk Register sets out clearly the likelihood and impact of each risk. The impact rating ranges from "Minimal" to "Catastrophic" and the likelihood from "Remote" to "Probable and Imminent". The accountable ELT 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.

The Group operates a 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 subsidiary having a SODA to assist in the effective management of risk. The Executive Committee and the Board consider all bids against pre-determined levels for each subsidiary, to determine whether such bids meet the Group's financial, strategic and legal objectives.

As part of the Group risk management process, a Code of Conduct is issued to all colleagues which summarises the Group's wide-ranging policies (including information security and personal data, anti-bribery, health and safety and whistleblowing) into a simple document to help guide all colleagues in how we go about our business day to day. It provides the guidelines for our ethical conduct as we carry out our everyday business and sets out acceptable standards of behaviour. All colleagues within OCS are required to follow this Code and this assists in the management of risk.

As explained under Principle One, we operate a whistleblowing service operated by a third-party provider which allows our employees to report any concerns or wrongdoing anonymously. This forms an integral part of our risk management process. As mentioned previously at each Audit & Risk Assurance Committee a report is presented of all cases reported throughout the Group and the actions taken.

In line with best practice, the Internal Audit responsibilities were defined into a charter this year, which was approved by the Audit & Risk Assurance Committee and will be reviewed on an annual basis by the committee. The Internal Audit function reports to the Group Finance Director with a "dotted line" to the Chair of the Risk and Assurance Committee. The Group Risk and Assurance Manager meets regularly on a one-on-one basis with the Chair of the Audit & Risk Assurance Committee. This reporting approach offers independence from audited activities and allows the Internal Audit function to achieve objectivity. The work of the Internal Audit function helps to provide assurance over the effectiveness of the Group's governance, risk and control frameworks.

The Audit & Risk Assurance Committee approve the appointment and removal of the Head of the Risk and Internal Audit function and assesses the internal audit function's performance against internal audit objectives. The annual internal audit plan is approved by the Committee. All amendments to the approved annual internal audit plan are communicated to the Committee through periodic update reports. The results of each internal audit are formally documented in an audit report for action by management. All actions are required to be closed off within a specified period and an explanation provided where corrective action will not be implemented. A report is presented to the Committee of any outstanding matters.

#### Opportunities

The Group recognises that innovation is central to its growth strategy and has already started exploiting the use of technology to meet our customers' 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. Last year, the ELT recognised the need for a standardised innovation process to further overcome competitive forces in the marketplace. In the more mature markets, the process is advanced and once the process is confirmed as working efficiently, it will be deployed across the Group.

#### Principle Five – Remuneration

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

As a business employing some 85,000 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 customers are prepared to pay. Wherever we can, with customer 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 customer expectations and needs, legislation and cultural requirements.

## DIRECTORS' REPORT (continued)

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 19,000 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 explained in Principle One, in 2018/19 the Company embarked on a project, sponsored by the interim Chairman, to better understand and address colleague retention challenges. Phase One of the project involved a substantial number of workshops being held with a broad range of colleagues across the Group. From these workshops, and data analysis, the Company has gained a much better understanding of colleague's views in relation to recognition and remuneration, and opportunities to enhance our employer proposition.

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, the Board determined that for Executive Directors and senior management any share options granted to them on or after 1 January 2019 under the Company Long-Term Incentive Plan (LTIP) should be held for at least two years after they are vested. This aligns with the introduction last year of malus and clawback provisions within the rules of the LTIP. The malus and clawback provisions allow the Company in certain situations, such as financial misstatement, gross negligence, misconduct or fraud, to deduct sums from the value of any outstanding LTIP awards or reclaim amounts previously paid. Likewise, the Board believed that management should be permitted to hold any other Ordinary Shares acquired in the Company during their employment for a period of up to two years after they cease to be employed by the Group, rather than being required to sell all shares held in the Company on ceasing to be an employee. It was necessary to amend the Articles of Association of the Company to effect this change, and the amendment was unanimously approved at the last Annual General Meeting of the Company held in June 2019.

As a private company, we are not required to comply with the new 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 2018 of £1,003,000 are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Total pay (FTE)	£17,248	£18,496	£20,082
CEO pay ratio	58.15	54.23	49.95

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.

Our gender pay gap report for our OCS UK business for 2019 is published on our website [ocs.com](http://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 in our 2019 gender pay report. Our gender pay gap between male and female colleagues (7.86% mean, 3.35% median) is lower than the national gender pay gap of 17.3% as reported by the Office of National Statistics in October 2019 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 customers. Whilst we understand our gender pay gap, we are committed to making OCS a more diverse and inclusive organisation, across all our roles.

### DIRECTORS' REPORT (continued)

#### 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, customers 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 have several initiatives in place to engage with stakeholders, but the Board have agreed that it will, during 2020, formally document its engagement programme with key stakeholders and how their views are considered in the Board decision making process. Once the engagement programme is documented the Board will review and update it on a regular basis.

#### 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 customers 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 Healthy and Safety, Modern Slavery and Bribery. As part of our procurement process, suppliers are vetted to ensure that they have Health and 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 Company 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 preferred supplier contractual arrangements we have built up over many years which fosters an effective relationship. We recognise the importance of payment terms with our suppliers, and after taking into account the views of smaller suppliers reduced payment terms were agreed for these suppliers.

#### Customers

OCS works with over 20,000 customers around the globe to deliver essential and sustainable facilities management services, 24 hours a day. From retail and major companies 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. From providing a first-class shopping experience at major retail and leisure establishments, to maintaining critical plant equipment at large hospitals 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. We tailor our services to meet the unique demands of each client and to help them to achieve their corporate objectives.

Our strategic partnership approach 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 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 customers to help them achieve their goals and improve the experience of their customers. Our “Partnership Made Personal” approach has been recognised by our customers where we have been awarded a £50m per annum 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 builds on our successful mobilisation in 2018 of multi-million-pound contracts with the Ministry of Justice and Home Office focused around security, catering and cleaning. At Landmark, our serviced office business, we provide high quality, professional workspace which is designed to enhance productivity and create a positive environment for our clients, while our teams are professionally trained to Institute of Customer Service standards to deliver an unrivalled service supporting some 15,000 clients every day.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

As part of the development of the new OCS Core Values, we engaged with several customers in various sectors and markets to understand their views on what was important to them, to make partnerships personal. The engagement with customers and other stakeholders enabled the Board to take these views into account in finalising "Partnership Made Personal".

Throughout our business we operate Net Promoter Score which measures customer experience and allows us to understand how we can improve the services we are providing our clients. As part of our engagement process site visits are undertaken which allow management to meet customers together with the staff working at our client's premises which assists the Group in understanding the views of customers and staff.

#### Funders

As highlighted last year the Group does not face the same risks as other organisations in the facilities services sector due to its low levels of debt and lack of exposure to long term milestone related construction contracts. However, financial institutions are concerned over the service sector in general and therefore it is important that we have good relationships with all our funders. We take a proactive approach in having a two-way dialogue with our funders to ensure that they are fully aware of our strategy and the development of our business.

#### Pension Trustee

The Company has a very good open and constructive relationship with the directors of the corporate Trustee of its main pension schemes and entered into a Memorandum of Understanding in 2017 to record the principles upon 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 acknowledge 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 and give regular financial updates to the Trustee directors at each of their main meetings.

#### Employees

The success of the Group is dependent upon our colleagues and their safety and that of others is paramount in everything we do. 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 and safety incidents promptly, including 'near misses', monitoring, reviewing and reporting our health and safety performance accurately, continually improving our health and 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 employee assistance programmes available with a 24/7 helpline available to colleagues, providing support and advice for many lifestyle problems, helping to identify and resolve personal concerns that may affect job performance. 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.

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.

At the beginning of 2019, we held a conference for a number of our senior leaders in the Group to communicate clearly the Group strategy and to launch our new Core Values. This was to ensure total alignment of the direction of the Group and to enable a consistent message to be cascaded throughout the organisation. 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 various schemes in place such as "MyThanks" which gives colleagues across the UK the opportunity to recognise the hard work of others in two ways. Firstly the "MyThanks" Certificate of Appreciation, which is an easy and spontaneous way to say 'thank you' to people who have demonstrated the OCS values and have performed in an exceptional way when carrying out their duties. Secondly the Monthly 'Star' award which is given in the form of a voucher for occasions where an individual, or a team, have undertaken something special, or has consistently gone that extra mile.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

#### Shareholders

As stated early in the report, the Company benefits from a well dispersed set of interested shareholders. The review undertaken in 2016 into "Improving engagement between the Company and its Shareholders" was well received by shareholders. The Board implemented the recommendations from the review and the Company believes there is an effective mechanism for meaningful engagement with shareholders. In the Shareholder Relations section under Principle 3 details are given as to how the engagement process is undertaken and how the views of shareholders were obtained. Also, as part of the review it was agreed that the Shared Purpose will be reviewed every five years and the overall governance arrangement no later than every ten years. The next review of the Shared Purpose will take place before December 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 made. Post recovery, the Board has communicated to shareholders there is a strong need to generate sustainable cash flow to maintain the financial health of the business. The Board will therefore continue 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. The Board will also consider fundamental progress in executing the next phase of strategy and absolute net debt levels in determining whether to pay a dividend.

#### Business conduct

As a fifth-generation 120 year old family owned business, sound ethical principles are essential to the on-going success of the Group. These principles are enshrined into the Shared Purpose agreed with shareholders and under the various policies the business operates under. Our Code of Conduct which is issued to all colleagues to help guide them 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 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 is operated throughout the Group and compliance with section 172 of the Companies Act 2006.

#### The community and the environment

Family values and ethos have been behind the success of OCS since its beginnings in 1900. Today, our business has the scale and commitment to make a significant and positive contribution to the communities in which we work. We know that someone's social or economic background can have a huge impact on their ability to reach their full potential. That's why we support and deliver programmes that develop the capacity and skills of socially and economically disadvantaged people in the communities in which we work.

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.

Our collaboration with Auckland Airport, the Ministry of Primary Industries (MPI) and Air New Zealand is a real example of how to make a positive impact on the environment. Dealing with aircraft waste can be problematic, however by using a new system, we were able to recycle more than half of all waste (57% of 114 tonnes). In addition, a new biosecurity and transitional waste facility at Auckland Airport has attracted attention from other international airports. The initiative is now well regarded as an innovative approach to recycling reusable aircraft cabin waste.

Bromley by Bow Centre in East London ("BBBC") is a nationally and internationally renowned charity that has built its reputation on an integrated and holistic approach to community regeneration and via its work in community partnership building. In 2014 OCS formed a strategic partnership with BBBC. Through this partnership, OCS draws on a broad range of expertise to support innovative approaches to Corporate Social Responsibility and stakeholder engagement, with the BBBC advising on and helping to create integrated community facilities.

In India we actively donate to underprivileged schools, provide financial assistance to aged care facilities and cleaning support to local orphanages. Ongoing activities include: supporting a girl's orphanage through housekeeping, washroom and feminine hygiene services; donating clothes to, and celebrating events with, the orphanage; providing employment and training to underprivileged people from rural areas; and tree planting and waste recycling drive as part of a "Go Green" project.

We are committed to supporting the United Nations Sustainable Development Goals (SDGs) and use them to refine our sustainability approach. We focus on SDG's that closely align with our corporate strategy and where our efforts can make the greatest impacts. We believe that embedding sustainability will create value for our people, our customers and other stakeholders. We focus on issues where we know we can make an impact: driving people development, engaging in end to end customer experience, reduce environmental impact and committing to long term and sustainable partnerships.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

We apply particular focus to key priority issues – climate change and plastics pollution. Measuring and understanding our carbon footprint raises awareness and understanding. This informs and enables different activities in our efforts to reduce carbon dioxide emissions. OCS NZ was certified with the Toitū Envirocare carbon reduction programme endorsement for 2017 and 2018 and plans to also submit 2019 data for certification once the full year's figures are complete and available. Throughout the rigorous process, OCS NZ was able to demonstrate an almost 20% across the board reduction in emissions between 2017 and 2018. This was achieved through multiple measures, including reducing air travel (both international and domestic), vehicle use and changing their electricity supplier to Ecotricity. Ecotricity is New Zealand's only carbon Zero Certified renewable electricity supplier. Similarly, in the UK we have contracted with an energy company to provide electricity from 100% renewable energy.

Reducing our single-use plastic footprint is the right thing for our business, our colleagues, our clients and our environment. For us that means taking stock of how we manage waste across our business, being realistic about what we can do to improve, working with our suppliers to ensure that improvements are made holistically, and making sustainable changes that will have a positive impact on our plastic use. What is equally important is making sure that any changes we make are not detrimental to other environmental concerns.

We have already taken the first steps on our journey to reduce single-use plastic waste - replacing plastic straws and sandwich bags across our UK catering functions with more sustainable options. Our revised procurement process ensures that we prioritise working with suppliers who share our vision and, in collaboration with, our waste management supplier, we have started our education programme to encourage all those who interact with OCS to think twice about their own plastic use. We know that we are at the start of an important journey, but it is one that we are determined to get right across the whole Group.

### GOING CONCERN

The Group entered 2020 structurally sound, with a diverse geographical and market revenue base and in a position of financial strength with net cash funds of £18m. 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 stable business and believe the outlook for the Group is positive. The pandemic will adversely impact our EBITDA in 2020 but our liquidity is forecast to remain very 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 as a going concern, management have performed a detailed analysis of the 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 and the baseline projections prepared at a subsidiary level have therefore been subject to considerable internal review and scrutiny at country, regional and Group Board level to assess reasonableness. This has included a consideration of all key contracts, as the extent of impact of the pandemic is variable by sector and geography.

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 £100m revolving credit facility is fully committed to 30 April 2021 and £70m is committed to 30 April 2022. Covenants in the facility cap net debt at 2.75 times EBITDA (as defined in the facility) and require a minimum fixed cover ratio (EBTIDA as defined in the facility before serviced office rent costs compared to finance and serviced office rent costs) reflective of the level of the Group's serviced office business. Covenants are tested six-monthly.

### Baseline projections

Reference has been made to latest general economic projections when establishing the Group's baseline forecast. In general, a U shaped recovery, rather than a more optimistic V shape, has been presumed but there are country, sector and contract specific variations to the speed of the recovery and to the depth of the initial downturn which have been modelled to create smaller or larger financial impacts as considered appropriate.

The position in Q2 2020 has followed the expected economic model and the Group's revenue is expected to be at its low point in this quarter, with varying levels of recovery throughout H2 2020 and into early 2021. Our revenue projection in the baseline model reflects geographical and sector differences. The forecast shows Q2 2020 Group revenue 11% lower than the previous quarter, followed by quarterly growth so that Q1 2021 is slightly ahead of Q1 2020.

Direct operating costs have been modelled in line with the revenue assumptions, appropriately flexed to reflect their alignment with activity levels and the benefit of government support measures. Where restructuring is considered necessary, this has been included in the forecasts. The most significant adverse impact in the downturn period is expected to be in our Landmark serviced office business as its direct costs are more fixed in nature when compared to our facilities services business but we have demonstrated the ability to achieve some level of cost mitigation in Landmark in Q2 2020 and are reviewing further opportunities.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

The level of overheads included in the base case is in line with identified and implemented cost saving measures such as reductions to discretionary spend and temporary salary reductions. The benefit of government support measures as applicable to overhead staff costs has also been reflected. The Group has invested in capability across the organisation in the last few years and it is expected that this will remain intact throughout the forecast period to preserve the benefits of this capability in the longer term. Similarly, within the model period, overhead and capital restrictions are gradually lifted to enable the Group to leverage opportunities as they arise and to continue to enhance our technology solutions.

Reflective of the downturn, discretionary capital expenditure has been cancelled or delayed whilst retaining contract-specific spend levels in line with revenue expectations. Key programs have been suspended and kept at sustenance levels but not abandoned. Other cash flow impacts arising from decisions made directly as a result of the pandemic are discussed in the financial resilience section of the Group's risk assessment on page 16.

The Group's baseline projections show the Group's gearing levels are very low or zero throughout the period and at the six-monthly covenant measurement dates (June and December) gearing is zero. Liquidity headroom against the Group's committed RCF facility of £100m (£70m from May 2021) is therefore substantial.

The Group is also in compliance with the fixed cover ratio covenant in the forecast period (also tested six-monthly), with EBITDA headroom at 30% of forecast EBITDA. The covenant calculations include financing costs reflective of expected interest rates and a precautionary level of drawdown under the RCF facility and serviced office rent costs based on the existing portfolio of sites and delivered rent negotiations.

#### Scenario modelling

In line with general economic projections, the main downside scenario to the baseline forecast is a model using a W shaped economic recovery with a secondary outbreak of the coronavirus in 2020 and a second downturn in Q4 2020, assumed to have a downwards revenue impact of around 50% of the first downturn. As with the baseline projections, there are country, sector and contract specific variations to this general assumption. Temporary cost reduction actions have been extended under this scenario and a proportionate level of government support measures has been assumed.

Under this scenario, at all covenant measurement dates the Group still maintains substantial liquidity headroom (highest gearing is 0.2x) and EBITDA headroom under the fixed cover ratio is 22% of forecast EBITDA before applying further controllable management actions, should they be needed, as described below.

It is inevitable in these unprecedented times that there is a level of uncertainty associated with the Group's forecasting assumptions, especially with the Landmark business. 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 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 a vital activity in these difficult times. Whilst forecasting is by its nature uncertain, the Group has low or no debt under the scenarios modelled 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 impacts of the COVID-19 pandemic described in the Strategic Report and in this Directors' Report. Whilst there may be impacts arising from COVID-19 on the carrying values of assets and liabilities in 2020, a reliable estimate of the net financial impact, if any, cannot currently be made.

### DIVIDENDS

Dividends of £2.7m (2018: £1.1m) representing 55p (2018: 22p) per share were paid by the Company during the year. 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 an interim dividend in April 2020 as previously planned.

## O.C.S. GROUP LIMITED

### DIRECTORS' REPORT (continued)

#### 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.

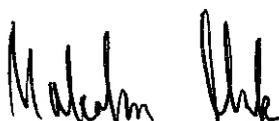
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### 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  
25 June 2020

# 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 2019 and of the Group's loss 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 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 32.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 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 period 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

25 June 2020

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
TURNOVER	3	989,919	961,213
Cost of sales		(859,511)	(828,539)
<b>GROSS PROFIT</b>		<b>130,408</b>	132,674
Administrative expenses		(119,969)	(127,226)
<b>GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>		<b>10,439</b>	5,448
Exceptional items	4	(5,330)	10,907
<b>GROUP OPERATING PROFIT</b>		<b>5,109</b>	16,355
Share of operating profit of joint ventures	15(A)	1,519	915
<b>PROFIT BEFORE FINANCE COSTS</b>		<b>6,628</b>	17,270
Finance costs (net)	5	(2,873)	(4,131)
<b>PROFIT BEFORE TAXATION</b>	6	<b>3,755</b>	13,139
Tax on profit	8	(6,231)	(6,642)
<b>PROFIT/(LOSS) AFTER TAXATION - excluding exceptional items</b>		<b>1,904</b>	(2,099)
(LOSS)/PROFIT AFTER TAXATION - exceptional items	4	(4,380)	8,596
<b>(LOSS)/PROFIT AFTER TAXATION</b>		<b>(2,476)</b>	6,497
Non-controlling interest		(41)	(226)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR/PERIOD</b>		<b>(2,517)</b>	6,271
(Loss)/profit per share (basic and diluted)	11	(51p)	127p

All activities derive materially from continuing operations.

Comparative information for 2018 relates to the period from 2 January 2018 to 31 December 2018.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019	Period ended 31 December 2018
	NOTE	£'000	£'000
<u>(Loss)/profit for the financial year/period</u>		<b>(2,517)</b>	6,271
Currency translation differences on foreign currency net investments		<b>(1,073)</b>	999
Actuarial gain on retirement benefit schemes	22	<b>753</b>	7,468
		<b>(320)</b>	8,467
Tax relating to components of other comprehensive income		<b>197</b>	(1,462)
Other comprehensive (expense)/income		<b>(123)</b>	7,005
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/PERIOD</b>		<b>(2,640)</b>	13,276
Total comprehensive (expense)/income for the year/period attributable to:			
- non-controlling interest		<b>68</b>	264
- equity shareholders of the Company		<b>(2,640)</b>	13,276
		<b>(2,572)</b>	13,540

# CONSOLIDATED BALANCE SHEET

31 DECEMBER 2019

	NOTE	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	13	78,312	70,912
Tangible assets	14	79,782	73,710
Investments	15	5,305	5,015
		<b>163,399</b>	149,637
<b>CURRENT ASSETS</b>			
Retirement benefit assets	22	1,106	1,072
Stocks	16	2,934	3,111
Debtors: amounts falling due within one year	17	150,252	155,936
Debtors: amounts falling due after more than one year	17	23,258	22,199
Investments - short term bank deposits		3,979	8,159
Cash at bank and in hand		36,490	25,578
		<b>218,019</b>	216,055
Creditors: amounts falling due within one year	18	(199,824)	(191,192)
<b>NET CURRENT ASSETS</b>		<b>18,195</b>	24,863
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>181,594</b>	174,500
Creditors: amounts falling due after more than one year	19	(48,425)	(39,537)
Provisions for liabilities	21	(32,239)	(20,352)
<b>NET ASSETS EXCLUDING RETIREMENT BENEFIT LIABILITIES</b>		<b>100,930</b>	114,611
Retirement benefit liabilities	22	(8,926)	(17,182)
<b>NET ASSETS</b>		<b>92,004</b>	97,429
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24(A)	540	540
Share premium account	24(B)	189	189
Capital redemption reserve	24(B)	63	63
ESOP reserve	24(B)	(8,315)	(8,303)
Profit and loss account	24(B)	98,978	104,329
<b>SHAREHOLDERS' FUNDS</b>		<b>91,455</b>	96,818
Non-controlling interest		549	611
<b>TOTAL CAPITAL EMPLOYED</b>		<b>92,004</b>	97,429

These financial statements were approved by the Board of Directors and authorised for issue on 25 June 2020.

Signed on behalf of the Board of Directors

**Peter Slator**  
Chairman

Company registration number: 01298292

**John Hunter**  
Group Chief Executive

# COMPANY BALANCE SHEET

31 DECEMBER 2019

	NOTE	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	13	76	39
Tangible assets	14	5,044	7,766
Investments	15(E)	126,443	126,052
		<b>131,563</b>	133,857
<b>CURRENT ASSETS</b>			
Retirement benefit assets	22	1,106	1,072
Debtors: amounts falling due within one year	17	14,418	10,613
Debtors: amounts falling due after more than one year	17	9,245	1,831
Investments - short term bank deposits		3,292	3,961
Cash at bank and in hand		2,914	1,518
		<b>30,975</b>	18,995
Creditors: amounts falling due within one year	18	(127,994)	(112,883)
		<b>(97,019)</b>	(93,888)
<b>NET CURRENT LIABILITIES</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>34,544</b>	39,969
Creditors: amounts falling due after more than one year	19	(9,014)	(2,147)
Provisions for liabilities	21	(10,814)	(8,791)
		<b>NET ASSETS EXCLUDING RETIREMENT BENEFIT LIABILITIES</b>	29,031
Retirement benefit liabilities	22	(8,926)	(17,182)
		<b>NET ASSETS</b>	11,849
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24(A)	540	540
Share premium account	24(B)	189	189
Capital redemption reserve	24(B)	63	63
ESOP reserve	24(B)	(8,315)	(8,303)
Profit and loss account	24(B)	13,313	19,360
		<b>SHAREHOLDERS' FUNDS</b>	11,849

The Company's loss for the financial year was £4,100,000 (period from 2 January 2018 to 31 December 2018: £444,000).

These financial statements were approved by the Board of Directors and authorised for issue on 25 June 2020.

Signed on behalf of the Board of Directors



**Peter Slator**

**Chairman**



**John Hunter**

**Group Chief Executive**

Company registration number: 01298292

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2019

	EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY					
	SHARE CAPITAL ETC.	ESOP RESERVE	PROFIT AND LOSS ACCOUNT	TOTAL	NON-CONTROLLING INTEREST	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	792	(8,466)	92,161	84,487	1,167	85,654
Profit for the financial period	-	-	6,271	6,271	226	6,497
Other comprehensive income:						
- currency translation differences on foreign currency net investments	-	-	999	999	38	1,037
- actuarial gain on retirement benefit schemes	-	-	6,006	6,006	-	6,006
Dividends paid on equity shares	-	-	(1,084)	(1,084)	(8)	(1,092)
Equity settled share-based payments	-	-	139	139	-	139
Issue of shares by ESOP	-	163	(163)	-	-	-
Acquisitions	-	-	-	-	(812)	(812)
At 31 December 2018	792	(8,303)	104,329	96,818	611	97,429
(Loss)/profit for the financial year	-	-	(2,517)	(2,517)	41	(2,476)
Other comprehensive (expense)/income:						
- currency translation differences on foreign currency net investments	-	-	(887)	(887)	27	(860)
- actuarial gain on retirement benefit schemes	-	-	764	764	-	764
Dividends paid on equity shares	-	-	(2,725)	(2,725)	(130)	(2,855)
Equity settled share-based payments	-	-	2	2	-	2
Issue of shares by ESOP	-	3	(3)	-	-	-
Profit on share transactions	-	(15)	15	-	-	-
<b>At 31 December 2019</b>	<b>792</b>	<b>(8,315)</b>	<b>98,978</b>	<b>91,455</b>	<b>549</b>	<b>92,004</b>

Share capital etc. comprises called up share capital, share premium account and capital redemption reserve.

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2019

	SHARE CAPITAL ETC. £'000	ESOP RESERVE £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL £'000
At 1 January 2018	792	(8,466)	14,906	7,232
Loss for the financial period	-	-	(444)	(444)
Other comprehensive income:				
- actuarial gain on retirement benefit schemes	-	-	6,006	6,006
Dividends paid on equity shares	-	-	(1,084)	(1,084)
Equity settled share-based payments	-	-	139	139
Issue of shares by ESOP	-	163	(163)	-
<b>At 31 December 2018</b>	<b>792</b>	<b>(8,303)</b>	<b>19,360</b>	<b>11,849</b>
Loss for the financial year	-	-	(4,100)	(4,100)
Other comprehensive income:				
- actuarial gain on retirement benefit schemes	-	-	764	764
Dividends paid on equity shares	-	-	(2,725)	(2,725)
Equity settled share-based payments	-	-	2	2
Issue of shares by ESOP	-	3	(3)	-
Profit on share transactions	-	(15)	15	-
<b>At 31 December 2019</b>	<b>792</b>	<b>(8,315)</b>	<b>13,313</b>	<b>5,790</b>

Share capital etc. comprises called up share capital, share premium account and capital redemption reserve.

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019	Period ended 31 December 2018
	NOTE	£'000	£'000
Net cash flows from operating activities			
- excluding lump sum pension contributions		<b>46,959</b>	20,588
- lump sum pension contributions		<b>(7,772)</b>	(5,844)
Cash flows from operating activities	25(A)	<b>39,187</b>	14,744
Cash flows from investing activities	25(B)	<b>(29,048)</b>	9,230
Cash flows from financing activities	25(C)	<b>48</b>	(98,479)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>10,187</b>	(74,505)
Cash and cash equivalents at beginning of year/period		<b>27,385</b>	101,474
Currency translation differences		<b>(399)</b>	416
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>		<b>37,173</b>	27,385
<b>RECONCILIATION TO CASH AT BANK AND IN HAND</b>			
Cash at bank and in hand		<b>36,490</b>	25,578
Less: restricted cash		<b>(4)</b>	(202)
Investments - short term bank deposits		<b>3,979</b>	8,159
Less: restricted short term bank deposits		<b>(3,292)</b>	(4,444)
Less: unrestricted short term bank deposits with a maturity in excess of three months at the date of acquisition		-	(1,706)
<b>CASH AND CASH EQUIVALENTS</b>		<b>37,173</b>	27,385

See note 26 for the reconciliation of the movement in cash and cash equivalents to the movement in net funds. Net funds at 31 December 2019 were £18,089,000 (2018: £18,118,000).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. ACCOUNTING POLICIES

O.C.S. Group Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. It is a private company limited by shares. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 8.

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

The functional currency of O.C.S. Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

#### Accounting convention

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value.

O.C.S. Group 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 separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### Basis of consolidation and financial periods

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The results presented are for the year ended 31 December 2019. The comparative results are for the period from 2 January 2018 to 31 December 2018.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Business combinations are accounted for under the purchase method. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition to FRS 102 (1 April 2014).

#### Going concern

The Group'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 25. The Group's principal risks and the impact of the COVID-19 pandemic are summarised on pages 15 to 18. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 2 to 8. In addition, the Strategic Report includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through working capital facilities and longer-term bank debt. The Group's main bank facility of £100m is fully committed to 30 April 2021 and £70m is committed to 30 April 2022.

The Group's forecasts to 30 June 2021, more fully described in the Directors' Report on pages 23 and 24, show that the Group will be able to operate within the level of its current facilities. The Group has long term facilities services contracts with a number of customers and suppliers across different geographic areas and industries and the Directors believe that the Group 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 and the Group have 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 subsidiary undertaking or 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.

#### Intangible fixed assets – brands

Intangible assets recognised as part of a business combination are measured at fair value at the business combination date and are amortised within administrative expenses in equal annual instalments over their expected useful economic lives, up to a maximum of ten years. Provision is made for any impairment. On the acquisition of i2 Office Limited (now renamed Landmark Space Limited), the brand was valued using the relief-from-royalty method and allocated a useful economic life of ten years.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Intangible fixed assets – software

Software assets are stated at cost, net of amortisation and any provision for impairment. 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 of 3 - 15 years.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets, 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:

Freehold and long term leasehold property	50 years
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 Group 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 Group after deducting all of its liabilities.

#### *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding 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 there exists a legally enforceable right to set off the recognised amounts and the Group 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.

#### *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### Investments

Except as stated below, investments held as fixed assets are stated at cost less any provision for impairment.

Investments in shares that are publicly traded are measured at fair value through profit or loss.

In the consolidated accounts, shares in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the results of the joint ventures. In the consolidated balance sheet, the investments in joint ventures are shown as the Group's share of the net assets, including goodwill, of the joint ventures plus any long term loan funding by the Group less any provision for impairment. Goodwill is determined and accounted for in accordance with the goodwill accounting policy. Where losses in a joint venture reduce the carrying value of the Group's investment to £nil, further losses are not recognised. A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. ACCOUNTING POLICIES (continued)

#### Stocks and long term contracts

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 first-in, first-out (FIFO) method or average cost basis. Provision is made for obsolete, slow-moving or defective items where appropriate.

The value of long term contract work is accounted for within turnover and the excess over payments on account is included within debtors as amounts recoverable on contracts. Cumulative costs incurred, net of amounts transferred to cost of sales, payments on account not set off against the value of long term contract work and provision for any known or anticipated losses, are included within work-in-progress. Excess payments on account are included in creditors as payments on account.

#### Impairment of assets

Assets other than those measured at fair value 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. If the reasons for the previous impairment loss have ceased to apply, 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 to the assets (other than goodwill) of the CGU on a pro rata basis.

##### *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 Group has the option to continue to lease the asset when at the inception of the lease it is reasonably certain that the Group will exercise the option.

#### Provisions for liabilities

Provisions for liabilities, including contingent consideration on acquisitions, insurance liabilities, overseas pension arrangements and onerous contracts/operating leases 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. With the exception of insurance and deferred tax, amounts are discounted to present value when the time value of money is material.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 Group 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.

Where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group 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 Group 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 on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Retirement benefit schemes

The Group has a number of funded pension arrangements including defined benefit and defined contribution schemes. The Group also has an unfunded defined benefit post retirement healthcare scheme and a number of overseas pension arrangements.

The service cost of defined benefit pension and healthcare provision relating to the period, together with gains and losses on settlements and curtailments and the cost of any benefits relating to past service are charged to the profit and loss account. The net interest cost on the net defined benefit liability is shown within net finance costs in the profit and loss account. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The assets of the pension schemes are held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The difference between the market value of the assets of the schemes and the present value of accrued pension and healthcare liabilities is shown as an asset or liability on the balance sheet gross of deferred tax.

For defined contribution schemes the pension cost is charged to the profit and loss account in line with contributions payable.

The Group's main overseas pension arrangements relate to Thailand commitments which become payable as employees reach retirement age. Costs are provided for over the expected service lives of the employees. In addition to employee churn, other key assumptions are wage inflation and the rate used to discount the expected future payments to present value. Actuarial valuations are obtained at least triennially and are reassessed annually if the principal actuarial assumptions have changed significantly.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. ACCOUNTING POLICIES (continued)

#### Share-based payments

The Group issues cash settled share-based payments to certain employees. Cash settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant and at each subsequent balance sheet end. The fair value determined at the balance sheet date of the cash settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

When shares issued under the Group's cash settled share-based payment schemes are subsequently purchased by shareholders rather than the Group, the creditor is transferred to equity, reflecting the equity settled nature of those shares.

Fair value is measured by the use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability and exercise restrictions.

#### 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.

The results of overseas subsidiary undertakings and joint ventures are translated at average exchange rates for the period. The assets and liabilities of such undertakings are translated at period end exchange rates. Exchange differences on the results for the period and the opening net assets are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). All other exchange differences are included in the profit and loss account in the period in which they arise except for, in the case of the Group financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) which are recognised in other comprehensive income and reported under equity.

#### 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 the contract outcome can be measured with reasonable certainty and is recorded at the fair value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### Exceptional items

The effects 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 Group'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 Group'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 Group's deferred tax assets of £23,583,000 (2018: £23,003,000), which relate entirely to timing differences, is dependent on sufficient future taxable profits. Based on the Group'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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

#### *Impairment of goodwill*

Details of the fixed asset impairments recorded by the Group are disclosed in note 6. Determining whether fixed assets are impaired requires an estimation of the value in use of the relevant cash generating units. The value in use calculation requires the estimation of future cash flows and suitable discount rates in order to calculate present values.

The carrying value of goodwill in the Group balance sheet is £66,479,000 (2018: £59,444,000) after an impairment loss of £nil (2018: £781,000) was recognised in the year. At 31 December 2019 the residual goodwill in respect of all businesses where an impairment charge has been recorded is £5,967,000 (2018: £6,922,000) and other goodwill with a carrying value of £60,512,000 (2018: £52,522,000) is unimpaired.

Based on impairment reviews undertaken at year end, sufficient headroom was identified allowing the Directors to conclude that no impairment charges were required. The key sensitivities underlying the future cash flows used in the impairment review calculations are the medium term sales growth rates that can be achieved by the business and the country long term growth rate. The lowest headroom was in respect of goodwill of £10,122,000 (concerning one entity in Asia-Pacific) where calculations allow for forecast medium term sales growth rates to fall by 3% or the forecast country long term growth rate to fall by 2% before an impairment provision would be needed.

#### *Retirement benefit schemes*

The net deficit on the Group's defined benefit retirement benefit schemes is determined based on actuarial advice and the calculation is significantly affected by relatively small changes in the actuarial assumptions concerning future inflation, discount rates and mortality. The net deficit on the Group's defined benefit retirement benefit schemes is £7,820,000 (2018: £16,110,000) after recognising actuarial gains in the year of £753,000 (2018: £7,468,000).

The Group's main overseas pension arrangements relate to Thailand commitments which become payable as employees reach retirement age. Costs are provided for over the expected service lives of the employees. In addition to employee churn, other key assumptions are wage inflation and the rate used to discount the expected future payments to present value. At 31 December 2019 the provision in respect of the Group's Thailand pension arrangements is £13,169,000 (2018: £6,803,000) after recognising a charge in the year (excluding unwinding of discount) of £7,279,000 (2018: £3,688,000). The year-end provision is based on projections from a triennial actuarial report prepared as at 31 December 2018, trued up for actual payments made. There has been no significant change to the principal actuarial assumptions in the year. A 1% reduction to employee churn would increase the provision by £587,000, a 1% increase to wage inflation would increase the provision by £774,000 and a 1% decrease to the discount rate would increase the provision by £707,000. The provision would decrease by similar amounts for 1% changes in the opposite direction.

## 3. TURNOVER

The Group's turnover by class of business and geographical market is as follows:

	<b>Year ended</b> <b>31 December 2019</b>	Period ended 31 December 2018
	<b>£'000</b>	£'000
Facilities services	<b>869,527</b>	858,042
Serviced office solutions	<b>120,392</b>	103,171
	<b>989,919</b>	961,213
Asia-Pacific	<b>395,582</b>	377,880
United Kingdom	<b>552,764</b>	543,110
Rest of the world	<b>41,573</b>	40,223
	<b>989,919</b>	961,213

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 4. EXCEPTIONAL ITEMS

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Profit on sale of properties	4,382	4,482
(Loss)/profit on sale of operations	(3,763)	14,937
Restructuring costs	(199)	(3,421)
Pension costs	(5,750)	(4,310)
Impairment of goodwill	-	(781)
	<b>(5,330)</b>	10,907
Tax on exceptional items	950	(2,311)
	<b>(4,380)</b>	8,596

Profit on sale of properties relates to the disposal of surplus properties, mainly in the UK.

The loss on sale of operations in the year mainly relates to the tactical disposals of the Group's sub-scale business in Singapore and a Landmark subsidiary thereby exiting an under-performing lease, along with residual costs relating to prior disposals (see note 15D). The 2018 profit on sale of operations mainly related to the second phase of the disposal of the Group's Cannon Hygiene businesses in New Zealand, India (including Corporate-Millennium Hygiene Solutions Private Limited), Ireland, Thailand and South Africa.

Restructuring costs are mainly associated with the 2018 restructuring of the Group's UK businesses.

Pension costs relate to reassessments of the provision for Thailand pension arrangements. 2018 also includes a Guaranteed Minimum Pension (GMP) equalisation charge in the UK.

Impairment of goodwill relates to businesses where the carrying values of goodwill exceeded the forecast net present value of future cash flows.

#### 5. FINANCE COSTS (NET)

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Interest payable on bank loans and overdrafts	1,459	2,563
Interest payable under finance leases and hire purchase contracts	135	187
	<b>1,594</b>	2,750
Interest receivable	(54)	(121)
Unwinding of discount on provisions	77	-
Currency adjustments	68	299
Other finance expenses	1,064	1,158
	<b>2,749</b>	4,086
Share of net interest payable of joint ventures	124	45
	<b>2,873</b>	4,131

Other finance expenses includes £340,000 (2018: £581,000) in respect of defined benefit retirement benefit schemes (see note 22).

For financial instruments that are not measured at fair value through profit or loss, the total interest income for financial assets was £54,000 (2018: £121,000) and the total interest expense for financial liabilities was £1,728,000 (2018: £2,907,000). This financial instruments disclosure excludes income and expense in respect of finance leases and hire purchase contracts and retirement benefit schemes.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 6. PROFIT BEFORE TAXATION

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
<b>Profit before taxation is after charging:</b>		
Depreciation of tangible fixed assets	16,452	14,818
Amortisation of goodwill	9,166	8,206
Amortisation of brands	713	713
Amortisation of software	2,411	2,272
Impairment of tangible fixed assets	350	1,434
Impairment of goodwill	-	781
Impairment of investments in joint ventures	-	619
Rentals under operating leases:		
– hire of plant and machinery	1,643	2,222
– other operating leases	53,638	43,816
Auditor's remuneration:		
– audit of the Company's annual accounts	294	208
– audit of the Company's subsidiary undertakings	508	521
– tax compliance services	102	112

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be separately disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

#### Impairments of fixed assets

The net impairment of tangible fixed assets arising from onerous leases and the disposal of the Group's Cannon Hygiene businesses is included as a £nil credit in cost of sales (2018: £366,000) and as a £350,000 cost in exceptional (loss)/profit on sale of operations (2018: £1,800,000) respectively.

The impairment of investments in joint ventures in 2018 arose from the disposal of the Group's Cannon Hygiene businesses and is included in exceptional profit on sale of operations.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Directors' remuneration:		
Emoluments	<b>2,023</b>	2,026

Directors' emoluments incorporate salaries, bonuses payable and other benefits.

No Directors were members of a Group pension scheme in the current year or prior period.

Emoluments of the highest paid Director were £1,028,000 (2018: £1,003,000). No share options were exercised by the highest paid Director and no shares were received or receivable by that Director under a long term incentive scheme in the current year or prior period.

Total key management personnel compensation including social security costs was £6,030,000 (2018: £7,569,000). Key management personnel are the Executive Leadership Team, the current team members are shown on page 1.

	GROUP		COMPANY	
	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.	Year ended 31 December 2019 No.	Period ended 31 December 2018 No.
The average number of employees, some being employed on a part-time basis, was:				
Operations	<b>75,897</b>	73,781	-	-
Sales and administration	<b>1,804</b>	1,851	<b>39</b>	38
	<b>77,701</b>	75,632	<b>39</b>	38

	GROUP		COMPANY	
	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Staff costs, including Directors, incurred in respect of these employees were:				
Wages and salaries	<b>576,345</b>	557,803	<b>7,504</b>	6,360
Social security costs	<b>36,792</b>	36,760	<b>943</b>	833
Other pension costs	<b>16,905</b>	16,268	<b>543</b>	2,294
	<b>630,042</b>	610,831	<b>8,990</b>	9,487

Wages and salaries and social security costs include amounts arising under the Group's share-based payments schemes (see note 12).

Other pension costs include costs of £10,265,000 (2018: £8,789,000) for the Group relating to overseas pension arrangements, £6,139,000 (2018: £5,128,000) for the Group and £140,000 (2018: £157,000) for the Company relating to UK defined contribution schemes and £501,000 (2018: £2,351,000) for the Group and £403,000 (2018: £2,137,000) for the Company relating to current and past service costs of defined benefit schemes but exclude settlement gains, finance costs and amounts separately dealt with in the statement of comprehensive income.

Other pension costs include exceptional costs of £5,750,000 (2018: £2,690,000) for the Group relating to reassessments of the provision for Thailand pension arrangements and £nil (2018: £1,620,000) for the Group and Company relating to a Guaranteed Minimum Pension (GMP) equalisation charge in the UK.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 8. TAX ON PROFIT

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
<b>Current tax</b>		
UK corporation tax	-	859
Foreign tax	<b>6,823</b>	7,336
	<b>6,823</b>	8,195
Adjustment to prior periods' tax provisions:		
- UK corporation tax	<b>3</b>	23
- foreign tax	<b>(268)</b>	247
	<b>6,558</b>	8,465
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(631)</b>	(1,672)
Adjustment to prior periods' tax provisions	<b>(130)</b>	(506)
	<b>(761)</b>	(2,178)
Share of tax of joint ventures	<b>434</b>	355
	<b>6,231</b>	6,642
<b>Reconciliation of total tax charge:</b>		
Profit before tax	<b>3,755</b>	13,139
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	<b>713</b>	2,496
Factors affecting charge for the year/period:		
- expenses not deductible for tax purposes	<b>1,581</b>	5,878
- unutilised/(utilised) tax losses	<b>73</b>	(1,141)
- overseas tax rates	<b>2,816</b>	1,583
- other non-taxable income	<b>(991)</b>	(1,355)
- deferred tax not recognised on timing differences	<b>2,428</b>	(583)
- adjustments in respect of prior periods	<b>(389)</b>	(236)
Total tax charge for the year/period	<b>6,231</b>	6,642

In addition to the tax charge shown above there is an overseas corporation tax credit of £186,000 (2018: £nil) and a UK deferred tax credit of £11,000 (2018: charge of £1,462,000) dealt with in the statement of comprehensive income.

#### 9. RESULT OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account and the statement of comprehensive income of the Company are not presented as part of these financial statements. The Company's loss for the financial year was £4,100,000 (2018: £444,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 10. DIVIDENDS

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Amounts recognised as distributions to shareholders:		
Second interim of 22p per share (2018: 13p per share) paid on 18 April 2019 (2018: 19 April 2018)		
- 4,940,871 (2018: 4,921,503) A ordinary and ordinary shares	<b>1,087</b>	640
First interim of 33p per share (2018: 9p per share) paid on 30 October 2019 (2018: 26 October 2018)		
- 4,964,957 (2018: 4,940,038) A ordinary and ordinary shares	<b>1,638</b>	444
	<b>2,725</b>	1,084

The Employee Share Ownership Plan (ESOP) trust has waived its entitlement to dividends on its ordinary and employee shares.

#### 11. (LOSS)/PROFIT PER SHARE

The calculation of basic (loss)/profit per share and basic profit/(loss) per share excluding exceptional items is based on a weighted average of 4,955,384 (2018: 4,932,749) A ordinary, ordinary and employee shares of 10p each in issue during the year. The calculation of diluted (loss)/profit per share and diluted profit/(loss) per share excluding exceptional items is based on a weighted average of 4,955,384 (2018: 4,933,894) A ordinary, ordinary and employee shares of 10p each.

	BASIC AND DILUTED PROFIT/ PROFIT / (LOSS) (LOSS) PER SHARE		BASIC AND DILUTED PROFIT/ PROFIT / (LOSS) (LOSS) PER SHARE	
	Year ended 31 December 2019 £'000	PENCE	Period ended 31 December 2018 £'000	PENCE
Profit/(loss) for the financial year/period excluding exceptional items	<b>1,863</b>	<b>38</b>	(2,325)	(47)
Exceptional profit on sale of properties	<b>4,278</b>	<b>86</b>	3,639	74
Exceptional (loss)/profit on sale of operations	<b>(3,881)</b>	<b>(78)</b>	12,206	247
Exceptional restructuring costs	<b>(177)</b>	<b>(4)</b>	(3,004)	(61)
Exceptional pension costs	<b>(4,600)</b>	<b>(93)</b>	(3,464)	(70)
Exceptional impairment of goodwill	-	-	(781)	(16)
(Loss)/profit for the financial year/period	<b>(2,517)</b>	<b>(51)</b>	6,271	127

Exceptional profit of sale of properties includes a tax charge of £104,000 (2018: £843,000), exceptional (loss)/profit on sale of operations includes a tax charge of £118,000 (2018: £2,731,000), exceptional restructuring costs includes a tax credit of £22,000 (2018: £417,000) and exceptional pension costs includes a tax credit of £1,150,000 (2018: £846,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

## 12. SHARE-BASED PAYMENTS

### Share option scheme

The Company has a share option scheme for certain Group employees. The companies taking part in this Group share-based payment scheme recognise and measure their allocation of the share-based payment expense pro-rata based on the number of options issued to employees of those companies. The estimated fair value of the options at grant date and at each subsequent balance sheet date for accounting purposes is measured by the use of the Black-Scholes pricing model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

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 may be forfeited if the employee leaves the Group before the options vest.

Due to the requirement for these shares to be sold when employees leave the Group, these share-based payments are classified as cash settled.

Details of the share options outstanding during the year/period are as follows:

	<b>GROUP</b>	
	<b>Year ended</b> <b>31 December 2019</b>	Period ended 31 December 2018
	<b>No.</b>	No.
At 1 January 2019 / 2 January 2018	<b>697,531</b>	730,368
Granted during the year/period	<b>165,197</b>	164,553
Exercised during the year/period	<b>(1,145)</b>	(690)
Forfeited during the year/period	<b>(284,014)</b>	(196,700)
At 31 December	<b>577,569</b>	697,531

At 31 December 2019 no options were exercisable (2018: 1,145).

The exercise price for all share options is £nil.

The Group recognised a charge of £2,741,000 (2018: £1,066,000) within administrative expenses related to share-based payment transactions arising under the share option scheme.

### Bonus schemes

Certain Directors and other senior management have elected to invest a proportion of their bonuses in shares. Due to the requirement for these shares to be sold when employees leave the Group, these share-based payments are classified as cash settled. During the year 21,981 (2018: 18,535) shares were acquired in respect of the prior period's bonuses, including 11,729 (2018: 17,544) relating to the Company.

The holders of 23,782 (2018: 23,782) shares acquired in 2017, including 17,030 (2018: 17,030) relating to the Company, are eligible for a further cash bonus equal to the value of the shares acquired if they remain with the Group for three years.

The Group recognised a charge of £983,000 (2018: £723,000) within administrative expenses related to share-based payment transactions arising under the bonus schemes.

The Group recognised a charge of £3,724,000 (2018: £1,789,000) within administrative expenses related to all share-based payment transactions.

The Group's cumulative liability in respect of all share-based payment transactions is £6,928,000 (2018: £3,305,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**13. INTANGIBLE FIXED ASSETS**

	GROUP				COMPANY
	GOODWILL	BRANDS	SOFTWARE	TOTAL	SOFTWARE
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2019	129,236	7,126	26,195	162,557	197
Currency adjustments	(521)	-	33	(488)	-
New subsidiaries acquired (note 15C)	16,744	-	-	16,744	-
Disposals of businesses	(3,479)	-	(266)	(3,745)	-
Adjustment to previous period's goodwill	(21)	-	-	(21)	-
Additions	-	-	3,518	3,518	98
Disposals	-	-	(95)	(95)	-
<b>At 31 December 2019</b>	<b>141,959</b>	<b>7,126</b>	<b>29,385</b>	<b>178,470</b>	<b>295</b>
<b>Amortisation</b>					
At 1 January 2019	69,792	3,207	18,646	91,645	158
Currency adjustments	(150)	-	34	(116)	-
Charge for the year	9,166	713	2,411	12,290	61
Disposals of businesses	(3,328)	-	(247)	(3,575)	-
Disposals	-	-	(86)	(86)	-
<b>At 31 December 2019</b>	<b>75,480</b>	<b>3,920</b>	<b>20,758</b>	<b>100,158</b>	<b>219</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>66,479</b>	<b>3,206</b>	<b>8,627</b>	<b>78,312</b>	<b>76</b>
At 31 December 2018	59,444	3,919	7,549	70,912	39

The cumulative amount of goodwill written off to reserves in the accounting periods 31 March 1984 to 31 March 1998 inclusive, as a matter of accounting policy, is £18,567,000 (2018: £18,567,000). Goodwill written off in respect of accounting periods prior to 1984 has not been disclosed as it cannot be obtained without unreasonable expense and delay.

Brands relate to the Landmark brand which is considered to be material to the Group. The inherent value of the i2Office brand, which was purchased in June 2014, has transferred to the Landmark brand following a rebranding of this Group's business on 29 January 2018. The brand has an estimated remaining useful life of four years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### 14. TANGIBLE FIXED ASSETS

GROUP	FREEHOLD	LONG TERM	SHORT TERM	MOTOR	PLANT,	CABINETS,	TOTAL
	PROPERTIES	LEASEHOLD	LEASEHOLD		MACHINERY,	MATS AND	
	£'000	£'000	£'000	VEHICLES	FIXTURES	SERVICE	£'000
					AND FITTINGS	EQUIPMENT	£'000
<b>Cost</b>							
At 1 January 2019	11,568	3,591	55,696	3,842	73,608	1,761	150,066
Currency adjustments	11	(26)	13	(63)	(201)	66	(200)
Reclassifications	-	-	389	-	(389)	-	-
New subsidiaries acquired (note 15C)	-	-	5,087	-	1,071	-	6,158
Disposals of businesses	-	-	(598)	(71)	(2,471)	-	(3,140)
Additions	-	-	10,557	560	7,610	937	19,664
Disposals	(2,846)	(605)	(39)	(273)	(2,097)	-	(5,860)
<b>At 31 December 2019</b>	<b>8,733</b>	<b>2,960</b>	<b>71,105</b>	<b>3,995</b>	<b>77,131</b>	<b>2,764</b>	<b>166,688</b>
<b>Depreciation</b>							
At 1 January 2019	6,149	1,901	18,033	3,448	46,128	697	76,356
Currency adjustments	8	(19)	20	(60)	(201)	22	(230)
Charge for the year	153	98	7,102	234	8,414	451	16,452
Disposals of businesses	-	-	(421)	(59)	(2,066)	-	(2,546)
Impairment	350	-	-	-	-	-	350
Disposals	(1,125)	(251)	(36)	(250)	(1,814)	-	(3,476)
<b>At 31 December 2019</b>	<b>5,535</b>	<b>1,729</b>	<b>24,698</b>	<b>3,313</b>	<b>50,461</b>	<b>1,170</b>	<b>86,906</b>
<b>Net book value</b>							
<b>At 31 December 2019</b>	<b>3,198</b>	<b>1,231</b>	<b>46,407</b>	<b>682</b>	<b>26,670</b>	<b>1,594</b>	<b>79,782</b>
At 31 December 2018	5,419	1,690	37,663	394	27,480	1,064	73,710
<b>COMPANY</b>							
<b>Cost</b>							
At 1 January 2019	11,140	3,124	2,681	-	910	-	17,855
Disposals	(2,777)	(605)	-	-	(90)	-	(3,472)
<b>At 31 December 2019</b>	<b>8,363</b>	<b>2,519</b>	<b>2,681</b>	<b>-</b>	<b>820</b>	<b>-</b>	<b>14,383</b>
<b>Depreciation</b>							
At 1 January 2019	5,979	1,607	1,616	-	887	-	10,089
Charge for the year	151	58	122	-	12	-	343
Impairment	350	-	-	-	-	-	350
Disposals	(1,113)	(249)	-	-	(81)	-	(1,443)
<b>At 31 December 2019</b>	<b>5,367</b>	<b>1,416</b>	<b>1,738</b>	<b>-</b>	<b>818</b>	<b>-</b>	<b>9,339</b>
<b>Net book value</b>							
<b>At 31 December 2019</b>	<b>2,996</b>	<b>1,103</b>	<b>943</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>5,044</b>
At 31 December 2018	5,161	1,517	1,065	-	23	-	7,766

During the year the Group entered into finance lease and hire purchase arrangements in respect of assets with a total capital value at inception of £1,160,000 (2018: £564,000). The net book value of the Group's fixed assets includes £13,000 (2018: £41,000) in respect of motor vehicles and £4,166,000 (2018: £3,428,000) 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 customer hire.

Tangible fixed assets held under finance leases and hire purchase contracts with a carrying amount of £4,179,000 (2018: £3,469,000) have been pledged to secure bank liabilities of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**15. FIXED ASSET INVESTMENTS**

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Subsidiary undertakings	-	-	125,943	125,670
Joint ventures	4,764	4,552	27	-
Other investments	541	463	473	382
	<b>5,305</b>	<b>5,015</b>	<b>126,443</b>	<b>126,052</b>

**(A) Joint ventures**

GROUP	SHARE OF NET ASSETS £'000	GOODWILL £'000	LOANS £'000	TOTAL £'000
<b>Share of net assets and loans</b>				
At 1 January 2019	4,824	326	21	5,171
Currency adjustments	(100)	-	-	(100)
Share of profit	1,008	(47)	-	961
Additions	2	25	-	27
Dividends	(564)	-	-	(564)
Disposals	(720)	(11)	-	(731)
<b>At 31 December 2019</b>	<b>4,450</b>	<b>293</b>	<b>21</b>	<b>4,764</b>
<b>Provisions</b>				
At 1 January 2019	619	-	-	619
Disposals	(619)	-	-	(619)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>4,450</b>	<b>293</b>	<b>21</b>	<b>4,764</b>
At 31 December 2018	4,205	326	21	4,552

The Group share of profit of £961,000 comprises share of operating profit of £1,519,000 less share of net interest payable of £124,000 less share of tax charge of £434,000.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15. FIXED ASSET INVESTMENTS (continued)

##### (B) Other investments

GROUP	LISTED £'000	UNLISTED £'000	TOTAL £'000
<b>Cost/fair value</b>			
At 1 January 2019	8	1,215	1,223
Revaluations	1	-	1
Additions	-	170	170
Disposals	-	(13)	(13)
<b>At 31 December 2019</b>	<b>9</b>	<b>1,372</b>	<b>1,381</b>
<b>Provisions</b>			
At 1 January 2019	-	760	760
Charge for the year	-	80	80
<b>At 31 December 2019</b>	<b>-</b>	<b>840</b>	<b>840</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>9</b>	<b>532</b>	<b>541</b>
At 31 December 2018	8	455	463

Listed investments represent investments in non-puttable ordinary shares and are measured at fair value based on the quoted market price. The cost of the shares on acquisition was £3,000 (2018: £3,000). Unlisted investments, including non-puttable ordinary shares of £67,000 (2018: £67,000), are held at cost less amortisation and provision for any impairment.

##### (C) Acquisitions

On 31 March 2019 the Group acquired 100% of the share capital of The Space Holdings London Limited. The following values were attributed to the major categories of assets and liabilities acquired:

	<b>BOOK VALUES AND FAIR VALUES</b>
	<b>£'000</b>
Tangible fixed assets	6,158
Cash at bank and in hand	483
Debtors	3,468
Creditors: amounts falling due within one year	(4,753)
Creditors: amounts falling after more than one year	(4,190)
Provisions for liabilities	(168)
Net assets acquired	998
Goodwill	16,744
<b>Total consideration</b>	<b>17,742</b>
Discharged by:	
Cash paid in the year	11,792
Deferred contingent cash consideration	5,950
	<b>17,742</b>

The net cash outflow in respect of the acquisition of £11,309,000 comprised cash consideration of £11,792,000 less cash at bank and in hand of £483,000 acquired. The useful life of goodwill for this acquisition is ten years.

In the year ended 31 December 2019, turnover of £10,238,000 and profit after taxation of £1,450,000 are included in the consolidated profit and loss account in respect of the group of companies headed by The Space Holdings London Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15. FIXED ASSET INVESTMENTS (continued)

##### (D) Disposals

On 31 October 2019 the Group disposed of its business in Singapore and on 30 November 2019 the Group disposed of a Landmark subsidiary thereby exiting an under-performing lease. These tactical disposals incurred exceptional losses on sale totalling £2,508,000 after tax.

Other disposals in the year and residual costs relating to prior disposals incurred a net exceptional loss on disposal of £1,373,000 after tax.

##### (E) Investments held as fixed assets by the Company

COMPANY	SUBSIDIARY	JOINT	OTHER INVESTMENTS		TOTAL
	UNDERTAKINGS	VENTURES	LISTED	UNLISTED	
	£'000	£'000	£'000	£'000	£'000
<b>Cost/fair value</b>					
At 1 January 2019	126,293	-	8	654	126,955
Additions - third party	-	27	-	170	197
Additions - Group	1,026	-	-	-	1,026
Revaluations	-	-	1	-	1
Disposals	(753)	-	-	-	(753)
<b>At 31 December 2019</b>	<b>126,566</b>	<b>27</b>	<b>9</b>	<b>824</b>	<b>127,426</b>
<b>Provisions</b>					
At 1 January 2019	623	-	-	280	903
Charge for the year	-	-	-	80	80
<b>At 31 December 2019</b>	<b>623</b>	<b>-</b>	<b>-</b>	<b>360</b>	<b>983</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>125,943</b>	<b>27</b>	<b>9</b>	<b>464</b>	<b>126,443</b>
At 31 December 2018	125,670	-	8	374	126,052

Listed investments represent investments in non-puttable ordinary shares and are measured at fair value based on the quoted market price. The cost of the shares on acquisition was £3,000 (2018: £3,000).

Unlisted investments are held at cost less amortisation and provision for any impairment.

#### 16. STOCKS

	GROUP	
	2019	2018
	£'000	£'000
Raw materials and consumables	15	162
Finished goods and goods for resale	2,919	2,949
	<b>2,934</b>	<b>3,111</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**17. DEBTORS**

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	104,646	114,884	-	-
Amounts recoverable on contracts	2,528	2,210	-	-
Amounts owed by subsidiary undertakings	-	-	9,748	5,193
Amounts owed by joint ventures	509	225	128	62
Other debtors	6,765	5,039	558	1,133
Taxation	7,149	7,161	849	653
Deferred tax (see note 20)	325	804	599	1,029
Prepayments and accrued income	28,330	25,613	2,536	2,543
	<b>150,252</b>	<b>155,936</b>	<b>14,418</b>	<b>10,613</b>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by subsidiary undertakings	-	-	8,000	-
Deferred tax (see note 20)	23,258	22,199	1,245	1,831
	<b>23,258</b>	<b>22,199</b>	<b>9,245</b>	<b>1,831</b>

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	12,506	12,991	3,292	3,061
Obligations under finance leases and hire purchase contracts	1,306	1,238	-	-
Trade creditors	37,922	41,978	738	1,055
Amounts owed to subsidiary undertakings	-	-	101,927	92,305
Amounts owed to joint ventures	72	177	-	-
Taxation	1,541	2,156	-	-
Other taxes and social security	26,973	23,006	12,524	10,656
Share-based payments (see note 12)	5,443	1,158	5,443	1,158
Other creditors	26,729	24,266	506	2,042
Accruals and deferred income	87,332	84,222	3,564	2,606
	<b>199,824</b>	<b>191,192</b>	<b>127,994</b>	<b>112,883</b>

Group accruals and deferred income includes £3,727,000 (2018: £463,000) relating to operating lease incentives which will be released to the profit and loss account over the terms of the leases.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	<b>7,529</b>	-	<b>7,529</b>	-
Obligations under finance leases and hire purchase contracts	<b>1,039</b>	1,390	-	-
Share-based payments (see note 12)	<b>1,485</b>	2,147	<b>1,485</b>	2,147
Accruals and deferred income	<b>38,372</b>	36,000	-	-
	<b>48,425</b>	39,537	<b>9,014</b>	2,147

Bank loans are repayable as follows:

Within one year	<b>12,506</b>	13,816	<b>3,292</b>	3,886
Between one and five years	<b>8,000</b>	-	<b>8,000</b>	-
Unamortised issue costs	<b>(471)</b>	(825)	<b>(471)</b>	(825)
	<b>20,035</b>	12,991	<b>10,821</b>	3,061

Obligations under finance leases and hire purchase contracts are repayable as follows:

Within one year	<b>1,306</b>	1,238	-	-
Between one and five years	<b>1,039</b>	1,390	-	-
	<b>2,345</b>	2,628	-	-

Group and Company bank loans of £3,292,000 (2018: £3,886,000) are secured on certain assets of the Group.

Included in the Group and Company bank loans is £8,000,000 (2018: £nil) before unamortised issue costs drawn under the Group's main revolving credit facility which is committed to 30 April 2022 with interest payable at a variable rate of LIBOR plus a margin depending on the level of the Group's gearing. The terms of the facility include restrictions on very large acquisitions and disposals without lender consent.

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

Accruals and deferred income includes £38,372,000 (2018: £33,456,000) relating to operating lease incentives which will be released to the profit and loss account over the terms of the leases.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 20. DEFERRED TAX

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

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	15,813	15,098	401	303
Retirement benefit schemes	1,131	2,546	1,131	2,546
Other timing differences	6,639	5,359	312	11
	<b>23,583</b>	<b>23,003</b>	<b>1,844</b>	<b>2,860</b>

During 2020 the net reversal of deferred tax assets and liabilities is expected to decrease the Group corporation tax charge for the year by £325,000. This is due to the reversal of timing differences.

A deferred tax asset of £9,924,000 (2018: £9,086,000) has not been recognised in respect of certain tax losses and timing differences. This asset will be recovered if there are sufficient future taxable profits and reversals of timing differences in the relevant companies.

On 11 March 2020 the cancellation of the previously enacted future reduction to the UK corporation tax rate was announced. If this change had been in place at 31 December 2019 the UK deferred tax rate would have increased from 17% to 19%, the Group's deferred tax asset would have increased by £1,965,000 and the Company's deferred tax asset would have increased by £217,000.

#### 21. PROVISIONS FOR LIABILITIES

	GROUP					COMPANY	
	DEFERRED		CONTINGENT	OVERSEAS		TOTAL	INSURANCE
	TAX £'000	INSURANCE £'000	CONSIDERATION £'000	PENSION £'000	PROPERTY £'000	£'000	£'000
At 1 January 2019	-	11,379	-	6,803	2,170	20,352	8,791
Currency adjustments	-	-	-	317	-	317	-
Acquisition of subsidiary undertakings	168	-	5,950	-	-	6,118	-
Utilised in the year	-	(3,278)	-	(1,307)	(591)	(5,176)	(3,268)
Unwinding of discount	-	-	-	77	-	77	-
Released unused	-	(999)	-	-	(488)	(1,487)	(961)
Transferred to debtors	(105)	-	-	-	-	(105)	-
Transferred from subsidiary undertaking (Credited)/charged to profit and loss account	(63)	3,712	-	7,279	1,215	12,143	3,677
<b>At 31 December 2019</b>	<b>-</b>	<b>10,814</b>	<b>5,950</b>	<b>13,169</b>	<b>2,306</b>	<b>32,239</b>	<b>10,814</b>

Insurance provisions relate to the Group's self-insurance arrangements and will become payable as claims are notified and settled.

Contingent consideration provisions arise where future consideration is payable in respect of acquisitions, contingent upon their future results. The provision at 31 December 2019 is payable in 2020.

Overseas pension provisions relate to Thailand commitments which become payable as employees reach retirement age.

Property provisions relate to onerous leases and dilapidations which will crystallise over the periods of the leases unless they can be mitigated or are settled by way of early termination.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

## 22. RETIREMENT BENEFIT SCHEMES

The Group has a number of funded pension arrangements, including 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, 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 Group also has an unfunded defined benefit post retirement healthcare scheme.

The main pension scheme is The OCS Group Staff Pension and Assurance Scheme, which covered permanent managerial, administrative and sales staff in the UK. On 1 April 2000 this 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 Group after that date up to 31 March 2013 and provides benefits based on the employees' and the Group's contributions. From 1 April 2013, eligible employees joining the Group are included in the Group's auto-enrolment pension arrangements which also provides benefits based on the employees' and the Group's contributions. These changes are in line with the practice increasingly adopted by major UK companies and are designed to be more flexible to employees and enable the Group to determine its pension costs more precisely than is the case for defined benefit schemes.

Lump sum contributions of £7,722,000 (2018: £5,694,000) were paid to The OCS Group Staff Pension and Assurance Scheme during the year. From January 2020 until December 2024 lump sum contributions of £258,000 are payable monthly, increasing at 3% per annum each December. In addition, £1,286,000 is payable by 31 December 2020. Under this recovery plan agreed with the scheme trustee in 2018, the Group aimed to eliminate the deficit over a period of six years. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and trustee every three years, based on actuarial valuations. The next triennial valuation is due to be completed as at 1 April 2021.

A lump sum contribution of £50,000 (2018: £150,000) was paid to The OCS Group Transfer of Undertakings Pension Scheme during the year and from May 2020 until May 2023 annual lump sum contributions of £50,000 are payable under the recovery plan agreed with the scheme trustee. At 31 December 2019 this scheme showed a funding surplus of £1,106,000.

The most recent full actuarial valuations of the Group's defined benefit pension schemes are as at 1 April 2018 by Capita Employee Benefits Limited. The amounts included in the accounts in respect of the Group's defined benefit pension schemes have been based on valuations of assets and liabilities carried out at 31 December 2019 by KPMG LLP. Scheme assets are stated at their market value at 31 December 2019 and scheme liabilities are measured on an actuarial basis using the projected unit credit method.

On 31 March 2015 the Company became the sole sponsoring employer of The OCS Group Staff Pension and Assurance Scheme. The OCS Group Transfer of Undertakings Pension Scheme and the post retirement healthcare scheme are schemes that share risks between the Company and OCS Group UK Limited and there is no formal policy in place for funding or charging the cost of these schemes between the two companies.

	PENSION SCHEMES	
	2019	2018
<b>Assumptions</b>		
Inflation - RPI	<b>2.9% p.a.</b>	3.1% p.a.
Inflation - CPI	<b>2.0% p.a.</b>	2.1% p.a.
Rate of increase in salaries	<b>2.9% p.a.</b>	3.1% p.a.
Rate of increase in pensions:		
- accrued before 1 April 1992	<b>2.7% p.a.</b>	2.8% p.a.
- accrued after 31 March 1992	<b>2.8% p.a.</b>	3.0% p.a.
Rate of discount for liabilities	<b>2.0% p.a.</b>	2.8% p.a.

The mortality assumption at 31 December 2019 is 100% of SAPS S2 Standard tables with CMI 2018 projections using a 1.25% long term improvements rate. This is consistent with the prior period except for the use of CMI 2017 projections at 31 December 2018.

	HEALTHCARE SCHEME	
	2019	2018
<b>Assumptions</b>		
Rate of discount for liabilities	<b>2.0% p.a.</b>	2.8% p.a.
Rate of increase in healthcare costs	<b>10.4% p.a.</b>	10.6% p.a.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**22. RETIREMENT BENEFIT SCHEMES (continued)**

	2019 £'000	2018 £'000
<b>Fair values of assets and present values of liabilities</b>		
Equities	85,992	39,189
Bonds	146,733	171,232
Derivative instruments	5,724	(2,700)
Property	19,151	20,340
Cash	2,719	3,247
Fair value of pension scheme assets	260,319	231,308
Present value of pension scheme liabilities	(266,564)	(245,823)
Net deficit on pension schemes	(6,245)	(14,515)
Present value of healthcare scheme liabilities	(1,575)	(1,595)
Net deficit	(7,820)	(16,110)
Related deferred tax asset	1,131	2,546
Net retirement benefit liabilities	(6,689)	(13,564)

The net deficit at 31 December 2019 includes a surplus of £1,106,000 (2018: £1,072,000) for The OCS Group Transfer of Undertakings Pension Scheme.

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
<b>Analysis of amounts (charged)/credited in the year/period</b>		
Current service cost	(501)	(731)
Net interest expense	(340)	(581)
Past service cost	-	(1,620)
Recognised in the profit and loss account	(841)	(2,932)
Recognised in other comprehensive income	753	7,468
Total (charge)/credit relating to defined benefit schemes	(88)	4,536

£164,000 (2018: £332,000) of the current service cost is included within cost of sales and £337,000 (2018: £399,000) is included within administrative expenses. The 2018 past service cost relating to a Guaranteed Minimum Pension (GMP) equalisation charge is included in exceptional items.

	ASSETS £'000	LIABILITIES £'000	TOTAL £'000
<b>Analysis of the movements in assets and liabilities</b>			
At 1 January 2019	231,308	(247,418)	(16,110)
Current service cost	(312)	(189)	(501)
Interest income/(expense)	6,452	(6,792)	(340)
Actuarial gains/(losses)	24,317	(23,564)	753
Benefits paid	(9,717)	9,717	-
Employer contributions	8,263	115	8,378
Contributions from scheme members	8	(8)	-
<b>At 31 December 2019</b>	<b>260,319</b>	<b>(268,139)</b>	<b>(7,820)</b>

The actual return on pension scheme assets was a surplus of £30,769,000 (2018: deficit of £1,154,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 23. FINANCIAL INSTRUMENTS

The following disclosures exclude investments in subsidiary undertakings and joint ventures, finance leases and hire purchase contracts, retirement benefit schemes, share-based payment arrangements and all financial assets and liabilities measured at the undiscounted amount receivable or payable.

The carrying values of financial assets are summarised by category below:

	<b>GROUP</b>	
	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Financial assets</b>		
Measured at fair value through profit or loss:		
- investments in listed equity instruments	<b>9</b>	8
Equity instruments measured at cost less impairment:		
- investments in unlisted equity instruments	<b>67</b>	67

The change in value of financial assets measured at fair value through profit or loss was a revaluation gain of £1,000 (2018: £nil).

#### 24. CALLED UP SHARE CAPITAL AND RESERVES

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>(A) Called up share capital</b>		
<b>Allotted and fully paid</b>		
5,400,000 (2018: 5,400,000) A ordinary and ordinary shares of 10p each	<b>540</b>	540
Nil (2018: 250) employee shares of 10p each	-	-
	<b>540</b>	540

The A ordinary shares and ordinary shares carry no right to fixed income, rank pari passu with each other in all respects and are considered to be one class of share. The employee shares ranked pari passu with the A ordinary shares and ordinary shares in respect of dividend and capital rights, but have no voting rights.

#### (B) Reserves

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

The capital redemption reserve represents the nominal value of equity shares redeemed or cancelled.

The ESOP reserve arises in connection with the Employee Share Ownership Plan (ESOP) trust, a discretionary trust established to facilitate the operation of the Company's long term incentive scheme for senior management of the Group. The reserve represents the consideration paid for the Company's shares held by the ESOP trust. At 31 December 2019 £8,315,000 (2018: £8,303,000) has been deducted from shareholders' funds for the consideration paid for 502,356 (2018: 504,848) of the Company's shares held by the ESOP trust or which had not vested unconditionally in employees. At 31 December 2019 the ESOP trust held 435,043 (2018: 456,053) ordinary shares and nil (2018: 250) employee shares and there were 67,313 (2018: 48,545) ordinary shares which had not vested unconditionally in employees. The Company is owed £3,862,000 (2018: £3,789,000) by the ESOP trust in respect of the loans provided to allow the ESOP trust to purchase the Company's shares. Further details of the Company's share-based payment schemes are given in note 12.

The profit and loss account represents cumulative profits or losses, foreign exchange differences, actuarial gains and losses on retirement benefit schemes and other adjustments net of dividends paid.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	GROUP	
	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
<b>(A) Cash flows from operating activities</b>		
Operating profit	5,109	16,355
Depreciation of tangible fixed assets	16,452	14,818
Impairment/(reversal of impairment) of tangible fixed assets	350	(366)
Amortisation of intangible assets	12,290	11,191
Impairment of intangible fixed assets	-	781
Profit on sale of tangible and intangible fixed assets	(4,256)	(4,437)
Loss/(profit) on sale of operations	2,642	(14,937)
Adjustments for retirement benefit schemes	(103)	1,581
Equity settled share-based payments	2	139
Decrease in stocks	50	216
Decrease/(increase) in debtors	7,345	(19,562)
Increase in creditors	5,534	17,159
Increase in provisions	5,398	3,444
Decrease in other liquid resources	3,056	2,228
Currency adjustments	144	351
Provision charged against investments	80	80
Profit on sale and revaluation of listed investments	(1)	(13)
UK corporation tax and overseas tax paid	(7,133)	(8,440)
Lump sum pension contributions	(7,772)	(5,844)
<b>Net cash flows from operating activities</b>	<b>39,187</b>	<b>14,744</b>
Other liquid resources represents restricted cash, restricted short term bank deposits and unrestricted short term bank deposits with a maturity in excess of three months at the date of acquisition.		
<b>(B) Cash flows from investing activities</b>		
Sale of properties - exceptional item	6,522	4,889
Sale of other tangible fixed assets	188	218
Purchase of tangible fixed assets	(19,398)	(20,072)
Purchase of intangible fixed assets	(3,518)	(2,845)
Interest received	54	121
Dividends received from joint ventures	564	432
Sale of operations - exceptional item	(2,038)	28,072
Investment in joint ventures	(27)	(311)
Purchase of trade investments	(170)	-
Purchase of non-controlling interest	-	(1,378)
Purchase of subsidiary undertakings and businesses	(11,796)	(68)
Sale of other investments	88	172
Cash at bank and in hand acquired	483	-
<b>Net cash flows from investing activities</b>	<b>(29,048)</b>	<b>9,230</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)**

	GROUP	
	Year ended	Period ended
	31 December 2019	31 December 2018
	£'000	£'000
<b>(C) Cash flows from financing activities</b>		
Dividends paid	(2,855)	(1,092)
Interest and other finance expenses paid	(2,083)	(4,149)
Repayment of bank loans	(3,110)	(100,420)
Repayment of obligations under finance leases and hire purchase contracts	(1,491)	(2,571)
New bank loans	9,587	9,753
<b>Net cash flows from financing activities</b>	<b>48</b>	<b>(98,479)</b>

**26. ANALYSIS OF NET FUNDS**

GROUP	AT	CURRENCY	ACQUISITIONS	CASH	OTHER	AT
	1 JANUARY	TRANSLATION	AND		NON-CASH	31 DECEMBER
	2019	DIFFERENCES	DISPOSALS		CHANGES	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand (unrestricted)	25,376	(365)	-	11,475	-	36,486
Short term bank deposits (unrestricted)	2,009	(34)	-	(1,288)	-	687
Cash and cash equivalents	27,385	(399)	-	10,187	-	37,173
Bank loans	(12,991)	(213)	-	(6,477)	(354)	(20,035)
Obligations under finance leases and hire purchase contracts	(2,628)	(24)	(24)	1,491	(1,160)	(2,345)
Short term bank deposits (unrestricted)	1,706	-	-	(1,706)	-	-
Restricted cash	202	-	-	(198)	-	4
Restricted short term bank deposits	4,444	-	-	(1,152)	-	3,292
	18,118	(636)	(24)	2,145	(1,514)	18,089

Restricted cash and restricted short term bank deposits not available for use include amounts relating to the Group's self-insurance arrangements of £nil (2018: £483,000) serving as security for letters of credit, £3,292,000 (2018: £3,961,000) serving as security for bank loans and other amounts held in separate restricted bank accounts. Included in restricted short term bank deposits is £3,292,000 (2018: £3,961,000) relating to the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Future capital expenditure</b>				
Tangible fixed assets	1,173	4,268	-	-
Software	612	1,511	98	-
Contracted for but not provided	1,785	5,779	98	-

Included in committed capital expenditure is £896,000 (2018: £3,886,000) relating to Landmark Space Limited's serviced office properties.

### 28. OPERATING LEASE COMMITMENTS

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

GROUP	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER
	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Payments due:				
Within one year	48,984	4,175	41,357	5,035
Between one and five years	178,696	6,348	152,170	7,689
After five years	81,169	478	87,398	991
	308,849	11,001	280,925	13,715
<b>COMPANY</b>				
Payments due:				
Within one year	776	-	892	-
Between one and five years	890	-	1,591	-
After five years	1	-	1	-
	1,667	-	2,484	-

The minimum lease payments under non-cancellable operating leases mainly relate to property lease payments of £298,423,000 (2018: £267,182,000) payable by companies in the group headed by Landmark Limited, the Group's subsidiary undertakings that provide serviced office solutions.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 29. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

The Group's subsidiary undertakings and joint ventures held at 31 December 2019 are listed below. Those companies that were directly owned by the Company at 31 December 2019 are indicated by \*.

SUBSIDIARY UNDERTAKINGS	COUNTRY OF INCORPORATION	ACTIVITY	PROPORTION OF ORDINARY SHARES HELD %	REGISTERED OFFICE ADDRESS (KEY)
00251293 Limited *	Great Britain	Dormant	100	1
00570914 Limited *	Great Britain	Dormant	100	1
ACN 114 749 110 Pty Limited	Australia	Dormant	100	4
AHP Recycling Limited	Ireland	Facilities services	100	17
Cannon Hygiene International Limited *	Great Britain	Dormant	100	1
Cannon Hygiene Services Sdn. Bhd.	Malaysia	Dormant	100	6
Cannon Hygiene (Ireland) Limited	Ireland	Facilities services	100	17
Distribution and Wholesalers Limited	New Zealand	Facilities services	100	5
Fountains Support Services Limited *	Great Britain	Dormant	100	1
FWG Limited	New Zealand	Facilities services	100	5
Health & Safety Services NZ Limited	New Zealand	Facilities services	100	5
i2 Office Limited	Great Britain	Dormant	100	1
Integrated Premises Services (Holdings) Pty Limited	Australia	Facilities services	100	4
Integrated Premises Services Pty Limited	Australia	Facilities services	100	4
IPS Cleaning Australia Pty Limited	Australia	Facilities services	100	4
IPS Events Pty Limited	Australia	Facilities services	100	4
IPS Project & Services (Australia) Pty Limited	Australia	Facilities services	100	4
IPS Speciality Cleaning Pty Limited	Australia	Facilities services	100	4
Landmark Business Centres (Bank) Limited	Great Britain	Serviced offices	100	1
Landmark Business Centres (Bishopsgate) Limited	Great Britain	Serviced offices	100	1
Landmark Business Centres (Dover Street) Limited	Great Britain	Serviced offices	100	1
Landmark Business Centres (Holland House) Limited	Great Britain	Serviced offices	100	1
Landmark Business Centres (OBS) Limited	Great Britain	Serviced offices	100	1
Landmark Limited *	Great Britain	Serviced offices	100	1
Landmark Space Limited	Great Britain	Serviced offices	100	1
Landmark Technologies (UK) Limited	Great Britain	Serviced offices	100	1
Limpotecnica Sociedade de Limpeza Tecnica e Mecanica Lda	Portugal	Facilities services	100	19
LR Nederland B.V. *	Netherlands	Facilities services	100	1
O.C.S. Forestry UK Limited *	Great Britain	Dormant	100	1
O.C.S. Group (Ireland) Limited	Ireland	Facilities services	100	17
OCS Building Maintenance Pty Limited	Australia	Facilities services	100	4
OCS China Pty Limited	Australia	Facilities services	100	4

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**29. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (continued)**

<b>SUBSIDIARY UNDERTAKINGS</b>	<b>COUNTRY OF INCORPORATION</b>	<b>ACTIVITY</b>	<b>PROPORTION OF ORDINARY SHARES HELD %</b>	<b>REGISTERED OFFICE ADDRESS (KEY)</b>
OCS Group (India) Private Limited	India	Facilities services	100	9
OCS Group Australia Pty Limited	Australia	Facilities services	100	4
OCS Group International Limited *	Great Britain	Facilities services	100	1
OCS Group NZ Limited	New Zealand	Facilities services	100	5
OCS Group Pension Trustees Limited *	Great Britain	Dormant	100	1
OCS Group Singapore Pte Limited	Singapore	Facilities services	100	10
OCS Group UK Limited *	Great Britain	Facilities services	100	1
OCS Limited	New Zealand	Facilities services	100	5
OCS Management Services Limited	Ireland	Facilities services	100	18
OCS One Complete Solution Limited	Ireland	Facilities services	100	17
OCS ROH Limited	Thailand	Facilities services	100	8
OCS Services Pty Limited	Australia	Facilities services	100	4
OCSPLUS Outsourced Client Services Pvt. Limited	India	Dormant	100	9
Office Cleaning Services Limited *	Great Britain	Dormant	100	1
PCS Engineering Solutions Co. Limited	Thailand	Facilities services	100	8
PCS Security and Facility Services Limited	Thailand	Facilities services	99	8
Property Care Services (Malaysia) Sdn. Bhd.	Malaysia	Facilities services	99	6
PWB (M) Sdn. Bhd.	Malaysia	Facilities services	100	15
RO Holdings Pte Limited	Singapore	Facilities services	100	16
Sanitaire NZ Pty Limited	New Zealand	Facilities services	100	5
Sanitaire Pty Limited	Australia	Facilities services	100	4
Supanarin Company Limited	Thailand	Facilities services	100	8
T.M. Facilities Services Limited *	Great Britain	Dormant	100	1
The New Century Cleaning Company Limited *	Great Britain	Dormant	100	1
The Space Aldgate Limited	Great Britain	Serviced offices	100	3
The Space Holborn Limited	Great Britain	Serviced offices	100	3
The Space Holdings London Limited	Great Britain	Serviced offices	100	3
The Space Liverpool Street Limited	Great Britain	Serviced offices	100	3
The Space Management London Limited	Great Britain	Serviced offices	100	3
The Space Mayfair Limited	Great Britain	Serviced offices	100	3
The Space Old Street Limited	Great Britain	Serviced offices	100	3
The Space Regent Street Limited	Great Britain	Serviced offices	100	3
The Space Shoreditch Limited	Great Britain	Serviced offices	100	3
Tilgate No.1 Limited *	Great Britain	Dormant	100	1

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2019

**29. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (continued)**

<b>JOINT VENTURES</b>	<b>COUNTRY OF INCORPORATION</b>	<b>ACTIVITY</b>	<b>PROPORTION OF ORDINARY SHARES HELD %</b>	<b>REGISTERED OFFICE ADDRESS (KEY)</b>
AAS Aviation & Airport Services GmbH	Germany	Facilities services	40	2
Cannon Pest Management (Bangladesh) Private Limited	Bangladesh	Facilities services	25	7
Euroliance Limited *	Great Britain	Facilities services	33	1
Foodhouse Catering Services Company Limited	Thailand	Facilities services	50	8
OCS Arabia LLC	Saudi Arabia	Facilities services	49	11
OCS Qatar LLC	Qatar	Facilities services	30	12
OCS United Service Emirates Limited	UAE	Facilities services	49	13
OCS FM Consulting Limited *	Great Britain	Facilities services	50	1
Property Care Services (Cambodia) Co., Limited	Cambodia	Facilities services	50	14
Property Care Services Bangladesh (Private) Limited	Bangladesh	Facilities services	50	7

**REGISTERED OFFICE ADDRESS KEY**

1. 4 Tilgate Forest Business Park, Brighton Road, Crawley, West Sussex, RH11 9BP
2. Paul-Robeson-Strasse 37, 10439 Berlin, Germany
3. 4 Irongate House, 22-30 Dukes Place, London, EC3A 7LP
4. Level 2, 12 Waterloo Rd, Macquarie Park NSW 2113
5. Suite 4, 26 Virginia Avenue, Eden Terrace, Auckland, 1021 NZ
6. 8A Jalan Vivekananda, Off Jalan Tun Sambathan, Brickfields, 50470 Kuala Lumpur, Malaysia
7. 134 New Easkaton Road, Dhaka 1000, Bangladesh
8. 234 Soi Sukhumvit, 101 (Punnavithi) Sukhumvit Road, Bangchak, Prakanong District, Bangkok 10260
9. A 501, Fifth Floor, Thane One Corporate Business Park, Thane 400610
10. 65 Chulia Street, #38-02/03 OCBC Center, Singapore, 049513
11. Administration Building, Dreams Street, Industrial Valley A1, King Abdullah Economic City, Saudi Arabia
12. Room 501-503, B Wing Zone 26, Street 220, Handasa Plaza, B Ring Road, Doha, Qatar
13. 203 A&B Tessco Building, Zayed 2nd Street, Abu Dhabi, UAE
14. No 2A, Down Town Road 7, Sangkat Teok Thlah, Khan Russey Keo, Phnom Penh, Kingdom of Cambodia
15. 412A and 414A Jalan 5/132, Gasing Indah, 46000 Petaling Jaya, Selangor, Malaysia
16. 17 Phillip Street, 05-01 Grand Building, Singapore, 048695
17. Unit 38 Airways Industrial Estate, Dublin 17
18. Unit 12 Northlink Business Park, Mallow Road, Blackpool, Cork
19. Parque Industrial JE Pavilhão, Cannon Carrascal De Manique, 2645-423 Alcabideche, Portugal

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **30. CONTINGENT LIABILITIES**

The Group has given guarantees in respect of bank facilities of certain subsidiary undertakings and joint ventures to a maximum of £24,052,000 (2018: £16,535,000) including guarantees given by the Company of £15,617,000 (2018: £8,470,000). In addition the Group has given unlimited guarantees in respect of lease and bank facilities of certain subsidiary undertakings and joint ventures and at 31 December 2019 the amount outstanding in respect of such facilities was £1,722,000 (2018: £5,611,000).

The Company has entered into unlimited multilateral cross company guarantees in connection with bank facilities of certain subsidiary undertakings. At 31 December 2019 the amount outstanding in respect of such facilities was £34,924,000 (2018: £40,647,000).

The Company has entered into unlimited guarantees in connection with work performed by certain of its subsidiary undertakings and has entered into performance bonds and guarantees in connection with work performed by certain of its subsidiary undertakings to the value of £540,000 (2018: £431,000).

The Company has issued irrevocable guarantees pursuant to Section 357 of the Irish Companies Act 2014 in respect of all liabilities for the financial year ended 31 December 2019 of O.C.S. Group (Ireland) Limited, Cannon Hygiene (Ireland) Limited, OCS One Complete Solution Limited, AHP Recycling Limited and OCS Management Services Limited.

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

#### **31. RELATED PARTY TRANSACTIONS**

The Company incurred operating lease rentals of £40,000 (2018: £174,000) in respect of properties leased from Goodliffe Properties Limited, a company with common shareholders to the Company. At 31 December 2019 £nil (2018: £nil) was owed to Goodliffe Properties Limited.

#### **32. SUBSEQUENT EVENTS**

There have been no subsequent events other than the impacts of the COVID-19 pandemic described in the Strategic Report and the Directors' Report. The COVID-19 pandemic is classified as a non-adjusting subsequent event. Whilst there may be impacts arising from COVID-19 on the carrying values of assets and liabilities in 2020, a reliable estimate of the net financial impact, if any, cannot currently be made.