O.C.S. GROUP LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2021

O.C.S. GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS

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)
D.J. Atkins	
J.B. Coghlan	
I.A. Hemming	
L. Stewart	

COMPANY SECRETARY

M. Clark

EXECUTIVE LEADERSHIP TEAM

J. Hunter
J. Darnton
R.I. Baylie
M. Clark
E.W.J. Cowell
M.G. Holgate
G.C.B. Mahe
R.J. Taylor
S.P. Thorn-Davis

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BANKERS

HSBC Bank plc, London
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INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London

COMPANY REGISTRATION NUMBER

01298292

WEBSITE

www.ocs.com

STRATEGIC REPORT

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

PRINCIPAL ACTIVITIES

The OCS Group is a fifth-generation family-owned business established 122 years ago, that delivers essential and critical facilities services including cleaning, security, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services. The Group also provides flexible serviced office space through its UK Landmark business. The Group has a strong focus on offering sustainable value-adding solutions with operations across Asia-Pacific, the United Kingdom, Ireland and the Middle East.

The Group has a strong market presence across prioritised sectors in key geographies, including business and industry, destinations and venues, financial and professional services, government, healthcare and education, aviation, manufacturing and technology, alongside its UK Landmark flexible serviced office space business.

BUSINESS REVIEW

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

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

The Group is well positioned for the future and will continue to adapt to changing markets and environments to make the most of the opportunities for growth in its priority geographies and sectors. The Group enters 2022 with optimism to continue to execute its strategy with the 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.

Aligned to our strategic choices of where we intend to grow, we have made two acquisitions. In Malaysia we welcomed over 1,300 colleagues that joined from our acquisition of the local ISS business in Q4 of 2020 and management are pleased that this business has started successfully in the OCS Group. In Q2 of 2021 the Group acquired the 1M business in New Zealand. This acquisition broadens our service proposition to offer heating, ventilation and air conditioning systems installation and maintenance services to clients. Results in 2021 were below acquisition expectations due to the severe restrictions implemented by the New Zealand government as a response to the pandemic, but future plans reflect a strong recovery post COVID-19 and a solid platform for growth in hard FM in New Zealand.

We were proud to launch our Group Sustainability Strategy in the year, underpinning our commitment to building a better future and expanding on the considerable work we have already done to reduce our environmental impact and advance social mobility across the business. With a net-zero carbon pledge to be achieved by 2040 agreed and our programme of social mobility activities underway and further evolving, we will continue to make a positive difference to the world around us. Everyone working at OCS plays a part in helping the business build a better future. Our Annual Review for 2021 (available on our website) details the many ways we care about our OCS family and make a difference in the communities where we live and work, improving lives every day.

During the year the Group has leveraged its expertise, heritage and values to provide clients with critical and essential cleaning, security and engineering services, and continued to evolve in order to meet the changing needs of our clients. We are especially proud of the Group's contribution to the mobilisation of vaccination centres and field hospitals across several territories, including provision of vaccines to our colleagues in Asia when supply was constrained. Working in partnership with governments and healthcare providers, our colleagues helped our clients to mitigate the impact of COVID-19 to create safe working environments, thereby deepening our trusted partner status.

We have seen increased demand for our essential services, particularly in healthcare, government, and manufacturing sectors, but in other sectors such as retail, hospitality and aviation the business continued to be adversely impacted by national government restrictions and the closure of borders. The work from home directive in the UK significantly impacted our Landmark flexible serviced office space business. In line with our competitors in Landmark, we saw changing demand patterns and we had to respond to these changes with speed and agility. Confidence returned to the market in the later stages of 2021 with a rapid increase in demand for flexible and safe workspaces and an appreciation that flexible serviced office space will continue to be an important and growing sector within the commercial office market. We expect the recovery to continue throughout 2022 with a return to pre-pandemic levels of occupancy towards the end of the year.

STRATEGIC REPORT (continued)

During the year the Group successfully retained significant contracts across both private and public sectors whilst adding new contracts and expanding our services into new markets. We were pleased to receive consistent positive feedback from our clients confirming our growing reputation for providing trusted and expert services in both day-to-day operations and in times of crisis. “Partnership made Personal”, our brand promise, represents everyone at OCS working together with our clients to help consistently deliver the services that communities rely on every single day, and which keep societies and economies going. As part of this promise we will continue to provide consistent and reliable support for our clients and we aim to grow with them as the global economy recovers. We have also won new clients in our priority markets in 2021. We are delighted that clients have continued to turn to OCS to deliver essential services for them and we welcome the trust placed in us.

In 2021 the business benefited from the actions taken in 2020 to restructure parts of the business where COVID-19 was likely to have a lasting impact, such as in aircraft cleaning. The decisions we made, while difficult at the time, created a stronger overall business portfolio which remained resilient in 2021 despite further lockdowns and government restrictions. We continue to focus on sectors and territories where we can add the most value to our clients and which provide sustainable opportunities for growth.

The Group recognises the support given by governments to business during the pandemic including grants, subsidies and deferral of tax payments. These helped to mitigate the impact of the pandemic in areas of the business which saw significant drops in demand and the support assisted in continuity of employment in some of our key territories.

We are committed to being a sustainable business, offering employment opportunities to jobseekers through schemes such as People into Work in the UK and Workbridge in New Zealand, as well as development opportunities through our UK apprenticeship programme. We also understand the mental stress that can be placed on frontline colleagues and those on furlough or working from home for a long period. Our colleagues have been actively encouraged to access our Safecall helpline and to have regular contact with their management or team leaders to support well-being.

Our supply chains have continued to be well managed. The response to the pandemic by our procurement teams has been excellent and has focused on carefully coordinating and sourcing essential supplies including staff personal protective equipment (PPE) at the right time and of the right quality to keep our staff protected. We have observed the rising global energy costs, partly driven by the conflict in Ukraine, and will look to procure tactically to mitigate these price increases as far as possible. The Group does not have a significant property footprint and will look to optimise cost recovery where possible. We have no operations in Russia or eastern Europe.

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

Another year of pandemic impact has proved without a doubt that OCS is an agile and resilient business and while the situation remains dynamic, we look ahead with confidence. We have a clear purpose as an essential and critical service provider, with high levels of control and governance and we are proud to provide essential services into a broad range of businesses. Our Landmark flexible serviced office space business is also well placed to recover now that market conditions are improving in the UK.

The Group is confident that with a strategy in place based on clear choices and priorities, and with our teams of experts, delivering for our clients and communities internationally, we will continue to transition effectively out of the pandemic. Financial projections to 2024 demonstrate that the Group will maintain its strong financial position, with good levels of liquidity and remaining within bank covenant requirements even when stress tested against alternative downside scenarios.

FINANCIAL REPORT

The Group entered 2021 as a strong sustainable business despite the challenges of the pandemic, ready for growth in the facilities services businesses with a focused portfolio and clear sector strategies. However, the continuing impact of the pandemic limited growth possibilities in certain sectors and geographies, and when combined with the impact on our Landmark flexible serviced office space business required a cautious approach to portfolio management in 2021. The acquisitions mentioned above in New Zealand and Malaysia strengthen our position for the future in important growth sectors and further broaden our client offer.

The Group ended 2021 in a solid cash position, tracking ahead of its cash objectives despite the challenges presented in the year and the payment of significant amounts deferred from 2020 relating to tax and property related costs. Overall liquidity remained strong with no gearing throughout 2021. The Group continues to be net debt free, supported by strong working capital management.

The Group results show a profit after taxation excluding exceptional items of £4.8m (2020: £4.9m). After exceptional items the profit after taxation for the year was £4.3m (2020: loss of £48.0m).

The Group’s results were ahead of management expectations. The continued trading challenges created by the pandemic were successfully managed, with both facilities services regions and Landmark outperforming their EBITDA targets in 2021. The Group reported net exceptional income of £0.1m (2020: net costs of £56.4m), with 2020 reflecting the need to restructure parts of the business permanently impacted by COVID-19 and the impairment of the carrying value of our Landmark business due to the impact of the work from home government policy in the UK.

The Group expects to see further improved trading conditions in 2022, accelerating growth in certain sectors and geographies. The Group will continue to be agile and proactive with opportunities and expects to manage the business with similar resilience to that demonstrated at the height of the pandemic.

The Group’s £70m revolving credit facility with HSBC and Barclays is fully committed to 30 April 2024, giving the Group the capacity and capability to invest in future opportunities for growth. The facility was undrawn throughout 2021.

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 35.

	2021	2020
	£'000	£'000
TURNOVER	909,165	922,317
GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	2,014	12,445
Exceptional items	54	(56,374)
GROUP OPERATING PROFIT/(LOSS)	2,068	(43,929)
PROFIT AFTER TAXATION - excluding exceptional items	4,766	4,947
LOSS AFTER TAXATION - exceptional items	(424)	(52,953)
PROFIT/(LOSS) AFTER TAXATION	4,342	(48,006)

Turnover of £909.2m (2020: £922.3m) decreased by 1.4% from a reduction in demand in the Landmark flexible serviced office space business and in certain sectors of the facilities services business due to the extended duration of the pandemic. The impact was mitigated to a large extent by growth in other sectors and geographies of the facilities services business.

Group operating profit before exceptional items decreased to £2.0m (2020: £12.4m), mainly due to lower turnover and an adverse movement in gross margin %. Exceptional items in the year were a net income of £0.1m (2020: net cost of £56.4m). The net exceptional income mainly relates to a reduction in COVID-19 related provisions and asset impairments due to an improved outlook compared to the prior year position, net of restructuring and consultancy costs. After exceptional items, Group operating profit was £2.1m (2020: loss of £43.9m).

COVID-19 related government grants of £10.9m (2020: £42.6m) to support the continued employment of colleagues were receivable in the year.

The Group's share of operating profit of joint ventures increased to £2.3m (2020: £1.6m) and the Group's net finance cost was £2.5m (2020: £2.2m), slightly higher due to refinancing costs.

The Group's tax credit for the year was £2.4m (2020: cost of £3.5m), representing the increase in the UK deferred tax rate and charges reflective of the territorial distribution of the Group's operations.

After exceptional items, profit after taxation was £4.3m (2020: loss of £48.1m).

Trading results

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

	2021	2020
	£'000	£'000
TURNOVER	909,165	922,317
Cost of sales	(805,698)	(841,923)
Government grant income	10,617	41,069
GROSS PROFIT	114,084	121,463
Administrative expenses	(112,344)	(110,522)
Government grant income	274	1,504
GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	2,014	12,445
Amortisation of goodwill and brands	7,626	10,000
EBITA (excluding exceptional items)	9,640	22,445
Depreciation *	15,218	19,049
EBITDA (excluding exceptional items)	24,858	41,494
Turnover growth	-1.4%	
Gross profit %	12.5%	13.2%
Overheads % **	11.5%	10.9%

* Depreciation is depreciation and impairment of tangible fixed assets and amortisation and impairment of software excluding exceptional items
** Overheads % is administrative expenses excluding amortisation of goodwill and brands divided by turnover

STRATEGIC REPORT (continued)

In 2021 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 and maintained strong bid disciplines. Selective investment in sales leadership and resources made in 2020 to ensure the deployment of global best practice and facilitate the development of clear value propositions by sector and geography has embedded well but the benefit of this investment was not fully realised in 2021 due to the extended nature of the pandemic. The Group expects to see a return on this investment with higher levels of growth in 2022.

As a percentage of turnover, gross profit reduced to 12.5% (2020: 13.2%) due to the impact of the pandemic on our flexible serviced office space business, which has a relatively fixed cost base, despite achieving landlord rent concessions and making other cost savings.

Overheads increased to 11.5% of turnover (2020: 10.9%). This reflects Landmark's reduction in turnover not being fully matched by cost reductions, an increase in incentive scheme costs due to outperformance of targets and the non-repeat in 2021 of temporary measures introduced in 2020 to support the business during the peak of the pandemic.

EBITDA, a key profit metric for the Group calculated before exceptional items, was £24.9m (2020: £41.5m). Results reflect a very resilient facilities services business and the impact of the pandemic on the flexible serviced office space business. EBITDA as a percentage of turnover decreased to 2.7% (2020: 4.5%).

Financial position

The financial position of the Group at 31 December 2021 is set out in the balance sheet on page 37. The Group's net assets increased to £46.4m (2020: £43.8m) mainly due to the profit for the year and an actuarial gain on the retirement benefit schemes, net of foreign exchange losses.

No impairments of goodwill were made in 2021 (2020: £16.7m). The impairments in 2020 mainly related to the Landmark businesses (£15.2m) where, due to the effects of COVID-19, the carrying values of goodwill exceeded the estimated recoverable amounts.

The Board has reached agreement with the pension trustee on the conclusions of the April 2021 triennial valuation of the main UK defined benefit pension scheme, which has been closed to new members since 2000. The agreed future funding plan recognises progress made in significantly reducing the pension liability over the past few years, providing much needed security for pensioners. The recorded net surplus on retirement benefit schemes was £2.2m at 31 December 2021 (2020: net deficit of £3.8m) after lump sum contribution payments in the year of £3.2m (2020: £4.4m). The net surplus at 31 December 2021 excludes a surplus of £11.6m not currently recognised due to recoverability uncertainty as the Company does not currently have an unconditional right to a refund.

Net cash funds were £34.9m (2020: £87.5m), with the reduction in the year reflecting the payment of amounts deferred from 2020 relating to UK VAT (£18.3m) and UK commercial rent payments by the Group's Landmark flexible serviced office space business (£27.8m). Over the last two years the Landmark directors have had to manage cashflows very carefully and negotiate to protect liquidity in the face of severely depressed results due to COVID-19. The Company has extended financial support to the Landmark business through additional intercompany loan funding of £7.5m in the year (2020: £12.0m).

KEY PERFORMANCE INDICATORS

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

- EBITDA (Group operating profit before joint ventures and exceptional items and before depreciation/amortisation and impairment of tangible and intangible fixed assets) was £24.9m (2020: £41.5m)
- Net cash funds of £34.9m (2020: £87.5m)
- Debtor days (trade debtors as a percentage of annualised turnover) of 36.2 days (2020: 36.1 days)
- Net assets of £46.4m (2020: £43.8m)

The Group ends the year with a stable balance sheet and 2021 performance, whilst impacted by the pandemic, was ahead of expectations set by management at the start of the year.

REVIEW OF OPERATIONS

The Group continued to feel the impact of the pandemic in 2021, resulting in adverse impacts for some sectors but also opportunities for other critical service sectors. As mentioned in the business review, the government-led restrictions and resulting economic pressures meant that, as expected, the Landmark flexible serviced office space business remained under significant pressure, along with several other facilities services sectors. Conversely, in critical service sectors such as government and healthcare and to some extent in manufacturing, demand increased. We demonstrated that the business could flex its cost base quickly to changing demand, improve productivity and manage resources successfully, as well as benefit from any new opportunities presenting. As the impact of the pandemic fades, we are in a good position to manage any future potential residual impacts from COVID-19 and its variants and to resume our growth agenda. Operating the business in market sector verticals continues to be a very effective way to deliver the Group's value propositions to clients.

International Facilities Services

The **UK, Ireland and Middle East** (UKIME) business has gone from strength to strength, despite the challenging conditions and exceeded expectations set at the start of the year. This is a significant achievement in the circumstances and largely reflective of the UK's critical service sector presence and decisions taken in 2020 to strengthen the business by restructuring harder hit sectors such as aircraft cleaning to match the reduced demand levels.

A strong UK bidding and sales engine with appropriate financial bid disciplines supported client retention and generation of new business. This, combined with the carry over impact of new business successfully mobilised in 2020, resulted in overall net contract portfolio growth in the year. The UK business continues to be quick to respond to offer new services or to help both new and existing clients manage the impacts of the pandemic on their own businesses. Relationships with clients have deepened even further, as reflected in improvement on the already very strong Net Promoter survey scores, putting the business in a good position to compete for the additional business expected to enter the market in 2022. Cash management is a strength of the UK business, outperforming targets set at the start of the year. This included repayments of VAT deferred from 2020 as scheduled. The UK business and its clients benefited from the government's furlough initiative until the end of September 2021, which helped retain staff while demand for services in some sectors remained low.

In Ireland we increased turnover and profit against prior year and outperformed against profit targets set at the start of the year, despite continued challenges from the depressed aviation sector. In the Middle East, the UAE business generated good profitable growth year on year, but cash generation was below expectations and remains an area of focus.

Overall, the UK, Ireland and Middle East region performed extremely well during the year and expects to develop further as levels of demand return in sectors most impacted by COVID-19 and the market for new business opportunities increases as potential clients resume normal procurement cycles.

Asia-Pacific regional EBITDA reduced compared to prior year, with the impact of the pandemic creating a challenging environment due to varying levels of government-led restrictions. However, performance did exceed targets set at the start of the year. The Group's businesses in Thailand and New Zealand demonstrated their management capability to adapt to the changes in demand and resource availability, generating strong profitability in 2021 and for Thailand, growth in profit against prior year. The New Zealand business successfully integrated its Q2 2021 acquisition of 1M, a hard FM business, strengthening its service offering. The New Zealand government continued its support in response to COVID-19, resulting in the business protecting employment despite the strict lockdown in the second half of the year. The Thailand business also benefitted from government support measures via a social tax reduction, which assisted in supporting colleagues and the business through the impact of pandemic restrictions that significantly reduced demand in certain sectors such as retail.

The Australian business broadly maintained its profitability levels in 2021, despite restrictions severely limiting the ability of the Midcity and aviation businesses in particular to deliver services to clients. Malaysia reported profits slightly better than prior year, benefitting from a full year of results from its acquisition in late 2020 and government subsidies that supported retention of colleagues during restrictions. India was heavily impacted by the pandemic and was provided with no government support to mitigate reduced demand in lockdowns. Despite this, India increased its profitability against prior year and exceeded targets set at the start of the year. The business exited the year with a stronger contract portfolio than expected following gains in new business in its chosen market sectors and significantly improved its debtor days, an exceptional outcome in the circumstances.

The region is expected to see further demand recovery in sectors and countries hardest hit by the pandemic, along with easing of border restrictions in 2022. This, along with several countries exiting with stronger than expected contract portfolios, provides support for the delivery of the plan in the year ahead.

STRATEGIC REPORT (continued)

Flexible Serviced Office Space

Landmark is a UK business that provides flexible serviced office space with a clear client focus and an established brand and value proposition. During both 2020 and 2021 the business was severely impacted by the pandemic and specifically by the working from home directive. Restrictions put pressure on occupancy levels, workstation rates and sales velocity. This changed in Q4 2021 when some indicators of recovery in all metrics were observed despite lingering restrictions. As anticipated going into the year, the impact of the overall market conditions has led to the business continuing to be loss making in 2021. In the prior year this triggered significant exceptional impairments and provisions. Partial mitigation was provided by negotiations with those landlords who supported the business to reduce the rental cost base on a temporary or permanent base. Some restructuring of the employee base was also necessary to ensure the business was positioned to match the reduced occupancy.

In the long term we believe Landmark continues to present an opportunity for value creation in a flexible working market with stronger intrinsic demand drivers through hybrid working patterns becoming more prevalent and the recovery in the second half of the year was encouraging. There are positive long term growth dynamics for this segment of the market, but we anticipate challenging market conditions to continue to exist through to 2023. Full lifting of restrictions in early 2022 and outperformance of targets in the early months of 2022 provide support for the delivery of the 2022 plan.

FUTURE DEVELOPMENTS

The Group conducted a strategy review in 2018 that clarified 'where to play' and 'how to win'. Although the growth agenda was temporally slowed by the pandemic, the strategy remains valid and was refined in the 2022 budget and two-year plan to 2024. Management teams worked diligently to further increase market understanding in each territory and validate through external research. This has enabled informed choices about the services and sectors where OCS can win and further develop value propositions for current and future clients.

The speed of recovery in Landmark remains the Group's principal uncertainty, but our expectation of the Group's return to sustainable profitability in 2023 is supported by restrictions being lifted in early 2022 and a reduced appetite of the UK government to implement further lockdowns following the lower impact of the Omicron variant on the population's health.

The Group has the financial stability and strategic options available to accelerate and augment further value creation and embraces the future with confidence.

CORPORATE GOVERNANCE REVIEW AND SECTION 172 STATEMENT

The corporate governance principles applied by the Group 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 within the Directors' Report on pages 20 to 29.

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 £70m revolving credit facility with HSBC and Barclays is fully committed to 30 April 2024. Quarterly covenants in the facility cap net debt at 2.5 times EBITDA (as defined in the facility) and require a minimum fixed cover ratio (EBITDA as defined in the facility before serviced office rent costs compared to finance and serviced office rent costs) reflective of the level of 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 positive cash position of the Group, affords a good level of financial flexibility to pursue available strategic growth options in its sectors of choice.

The Group has continued to fully comply with its banking covenant tests in 2021.

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 £2.9m (2020: gain of £0.2m) 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 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, only considering hedging 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 minimal operating activity denominated in non-domestic currencies and very limited intercompany trading.

STRATEGIC REPORT (continued)

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 36.2 days (2020: 36.1 days), reflecting focused 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 which do not form a large part of the Group's cost base. 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, shareholders, the community, the environment and health & safety matters are discussed in the Directors' Report.

OCS has some 68,000 staff worldwide including joint ventures, around 200 shareholders and thousands of retired members of staff. As a people business OCS is a significant employer in key 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 to the environment. The Board takes this commitment very seriously and published the Group sustainability strategy during the course of the year.

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

Malcolm Clark

Company Secretary

6 April 2022

DIRECTORS' REPORT

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

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

The Board has adopted the Wates Corporate Governance Principles for Large Private Companies, following the introduction of The Companies (Miscellaneous Reporting) Regulations 2018.

In adopting the Wates Principles, the Directors present below how they have applied the principles over the past year and how the Directors have met their duty under section 172 of the Companies Act 2006.

Principle One - Purpose and Leadership

OCS is a fifth generation 122 year old family-owned business, delivering essential and critical facilities services including cleaning, security, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services. The Group also delivers flexible serviced office space through its Landmark business in the United Kingdom. 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. This is exemplified by the shareholder consultation exercise that was carried out during the year which builds on a full review undertaken in 2016. A Sub-Committee of the Board was formed by the Chairman which also had representation from shareholders and included the two Family Non-Executive Directors, the Senior Independent Director, together with the Group Finance Director. The Sub-Committee organised several presentations for shareholders and to ensure maximum involvement these were conducted in person and via Zoom. Following the presentations, a survey of shareholders was undertaken with over 90% of shareholders participating. The results of the survey were presented to shareholders at a meeting in November 2021 and the Board now has a clear understanding of shareholders' wishes.

The Board continues to operate the business based on the agreed definition with shareholders 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 2021 and is summarised as:

- Generate consistent, sustainable returns in line with industry peers from the portfolio of businesses in the OCS family. These returns will come from both income and capital growth, with consistent income generation of primary importance.
- Manage the business within an agreed level of debt and risk, thereby ensuring its safe passage to future family generations.
- Operate with sustainable core values that will deliver the desired future. These values are based on sound ethical principles and recognising our responsibilities for colleagues, the communities in which we operate and the environment.
- Progressively build the OCS brand 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 still believes that the definition of family business governance adopted by the Board sits well under the Wates Principles, as these are the core principles under which the OCS business is conducted, aligning with the values of OCS.

The focus of the Board during much of 2021 has been the continued effective management of the impact of the worldwide COVID-19 pandemic, through the Group Project Management Office (PMO), chaired by the Group Chief Executive Officer. The priority has continued to be the safety and well-being of the Group's employees, many of whom work on the front line performing essential and highly valued tasks in healthcare, government and other critical environments. The importance and value our clients place on our services has been strongly evident during the crisis which underpins the confidence we have in the long-term sustainability of the business. The purpose of the PMO has been and continues to be to support and coordinate the Group response to COVID-19. Many of the issues are now being dealt with as normal operational matters as the business has adapted to living with COVID-19 on a day-to-day basis. Our frontline colleagues have demonstrated resilience and commitment in supporting our clients during the pandemic and we are incredibly proud of them. It is also appropriate to record the Board's appreciation of our regional and country management teams who have worked relentlessly and with considerable determination to ensure the safety and welfare of colleagues and to fully support our clients in managing through the pandemic.

The key issues that have been dealt with by the PMO are:

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

DIRECTORS' REPORT (continued)

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

As reported last year in line with our response to COVID-19, a clear strategy for each company within the Group has been agreed with the Board, now underpinned with the approval of the annual 2022 budget and two-year plan to 2024. This approval considers the key strategic programmes both short and long term, together with financial resilience and provision of required liquidity. In approving the strategy, the Directors also consider external factors and in particular this year have been conscious of the on-going economic, political and market conditions which could impact on the strategy. The Directors have been particularly conscious of the uncertainties created by varying restrictions and COVID-19 measures taken by governments in the territories the Group operates in but have been encouraged by the resilience of the facilities services sector in all geographies. However, the work from home measures imposed by the UK government at varying times in the year have directly impacted our Landmark flexible serviced office space business. The Board is conscious that it may need to review its strategy in relation to Landmark if the market does not improve at the rate forecast, but the Board is optimistic for the future of Landmark and the Landmark team has worked closely with its landlords to secure concessions which has given the business greater resilience.

The current strategy has been clearly communicated and local management teams are working to deliver on the agreed objectives for each company and territory. The strategy has also been communicated and presented to shareholders.

Shared purpose

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

We are a people business employing some 68,000 colleagues within the Group and our joint ventures. Our colleagues are employed under formal contracts. We also use agency workers and temporary workers, but irrespective of the type of contractual arrangement, as stated above, our priority is safety and well-being. Many of our colleagues 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. Many of our clients have not been able to operate their business as normal due to COVID-19 and as a result we have had at times a number of colleagues unfortunately not working, many of whom we were able to support through government subsidies and also with client support. Where government grants and incentives have been available, we have used these to support our colleagues, but in some countries there have been very limited incentives available and where available, support has been mostly phased out by governments during the year. Against this backdrop, due to the impact on many clients, particularly in the aviation and hospitality sectors, it has been necessary to make several colleagues redundant across the Group in the last two years, but wherever possible we have tried to find alternative work for them. Key performance measures for our colleague turnover are being reported on each month and are included within Monthly Operating Reports submitted to the Board. We continued to facilitate development opportunities through training, as well as delivering critical training modules on health, safety and IT security.

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

DIRECTORS' REPORT (continued)

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 Board of Directors who served during the year and up to the date of this report are:

Peter Slator	Chairman
John Hunter	Group Chief Executive
James Darnton	Group Finance Director
Christopher Stephens CBE	Senior Independent Non-Executive Director
David Atkins	Independent Non-Executive Director (appointed 11 March 2021)
Wendy Barnes	Independent Non-Executive Director (resigned 9 September 2021)
John Coghlan	Independent Non-Executive Director
Ian Hemming	Family Non-Executive Director
Louise Stewart	Family Non-Executive Director

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

The Chairman of the Company may be either a family or non-family Director and the current Chairman **Peter Slator** is non-family. Peter was appointed Chairman on 1 January 2020 for a period of three years having previously served as the Group Chief Executive Officer from December 2015 to December 2019.

Prior to joining OCS Peter spent five years at Rentokil Initial 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.

Executive Directors

John Hunter was appointed as Group Chief Executive Officer 27 March 2020, having previously served as Group Finance Director.

John 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 decorating 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 was appointed Group Finance Director on 1 April 2020 having held the position of OCS UKIME Regional Finance Director before his appointment. James has held a number of senior roles within the business services sector including being the Finance Director of Initial Catering Services for 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 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

The Board currently has three Independent Non-Executive Directors, Christopher Stephens (Senior Independent Non-Executive Director), John Coghlan and David Atkins, who joined the Board as an Independent Non-Executive Director on 11 March 2021. Wendy Barnes was an Independent Non-Executive Director until she stepped down as a Director on 9 September 2021. The Board wishes to acknowledge the significant contribution Wendy made during the six years she was a Director, acting as chair of the Audit & Risk Assurance Committee for the last three years.

Christopher Stephens was appointed a Non-Executive Director on 1 September 2017 for an initial period of three years. His appointment was extended for a further period of three years on 1 September 2020 and his appointment will now expire on 31 August 2023. He was previously Group Human Resources Director of Exel (now DHL), the international logistics company. Since 2002, Christopher has held several non-executive roles including as Non-Executive Director of WSP, a global engineering consultancy from 2003 to 2012 and Holidaybreak plc, a travel and education business from 2008 to 2011. He was Chairman of Traidcraft from 2006 to 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 to 2011.

Christopher chairs the Remuneration Committee and sits on the Audit & Risk Assurance Committee and Nominations Committee.

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, was Deputy CEO/Group CFO of Exel (now DHL) for 11 years and held other finance roles earlier in his career. John was appointed as a Non-Executive Director on 14 January 2019 for an initial period of three years with his term of office expiring on 13 January 2022. He has since been re-appointed a Non-Executive Director for a further period of three years with his new term of office now expiring on the 13 January 2025.

John sits on the Audit & Risk Assurance Committee and was appointed Chair of the Committee when Wendy Barnes ceased to be a Director on 9 September 2021. He also sits on the Remuneration Committee and the Nominations Committee.

David Atkins was appointed as a Non-Executive Director on 11 March 2021 for a period of three years with his term of office expiring on the 10 March 2024. David brings strengthened property expertise to the Board. He was previously CEO of Hammerson plc, the FTSE 250 European property company, for 11 years until 2020. He is past Chairman of EPRA, the European listed property body and is currently a Non-Executive Director at Whitbread Plc.

David sits on the Audit & Risk Assurance Committee and the Nominations Committee.

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 & 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 1 November 2015 for a period of three years. The Nominations Committee and the Board had extended Louise's appointment to 8 July 2021 and have now extended her appointment for a further three-year period to 8 July 2024.

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 of 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 an initial period of three years. The Nominations Committee and the Board subsequently 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 and Equal Opportunities Policies and is committed to promoting equal opportunities in employment and creating an inclusive working environment in which diversity is valued and celebrated. The Company recognises that diversity promotes innovation and business success, as each colleague 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.

All Directors stand for re-election at each Annual General Meeting of the Company and the Board believes that it will benefit from the re-election of all Directors at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

Board and Committee performance evaluation

The Board performance and Committee evaluation process this year began in November 2021 with an internal evaluation of the performance of the Board and the Committees being undertaken by the Chairman, facilitated by a questionnaire completed by each Director. An evaluation of the Chairman's performance was facilitated by the Senior Independent Non-Executive Director and by the completion of a questionnaire by each Director. The results of the questionnaires were shared with the Board at a meeting in January 2022. 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.

Through the evaluation process the Board acknowledged the current lack of diversity, and the Board is committed to developing diversity as part of its succession planning without compromising on experience or merit.

As reported last year, the Board recognised the need to strengthen the level of property expertise on the Board due to the Company's continued investment in Landmark, the Group's flexible serviced office space business, and the need to ensure Landmark adapts its post pandemic strategy. As a result, with effect from 11 March 2021, David Atkins was appointed a Director of the Company, explicitly bringing the required property expertise to further strengthen the Board.

There was general agreement that the COVID-19 restrictions had impacted on the Board's ability to interact with the business on the ground, but as last year the range of subjects addressed by the Board had been wide, despite the urgency and importance of the operational and commercial issues generated by the COVID-19 crisis. It was felt that the shareholder consultation exercise had been well managed, and the Board had been pleased with the positive feedback received from shareholders in relation to the open and transparent way the process had been undertaken. All Directors felt the Board meetings were sufficiently frequent, and the amount of time given to individual agenda items was also believed to be appropriate. All Directors have confirmed that they have sufficient time to devote to the affairs of the Company.

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 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 a 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.

DIRECTORS' REPORT (continued)

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, however due to COVID-19, it has only been able to meet once face to face during the year and the rest of the meetings have been held virtually. The ELT comprises:

John Hunter	Group Chief Executive
James Darnton	Group Finance Director
Richard Baylie	Group Chief Information Officer
Malcolm Clark	Group Company Secretary
Marianne Holgate	Group Director of HR and Corporate Affairs
Ed Cowell	Chief Executive Officer – Landmark
Gilles Mahe	Chief Executive Officer - APAC
Robert Taylor	Chief Executive Officer - UK, Ireland and Middle East
Scott Thorn-Davis	Group General Counsel

In addition, Jon Corner served as Chief Commercial Officer until 31 December 2021.

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, 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 and additional information on issues affecting the business, in particular full reports and presentations on the Group' response to COVID-19, together with external presentations on the serviced office market have enabled the Directors to monitor and challenge the performance of the Group and make informed decisions.

Nomination Committee

The Nomination Committee comprises Peter Slator (Chair), Christopher Stephens, John Coghlan, Louise Stewart, Ian Hemming, David Atkins and John Hunter. Wendy Barnes also sat on the Committee until she stepped down as a Director on 9 September 2021. 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 skills, competencies and attributes required to lead the Group.

Remuneration Committee

The Remuneration Committee comprises Christopher Stephens (Chair), John Coghlan and Louise Stewart. Wendy Barnes also sat on the Committee until she stepped down as a Director on 9 September 2021. 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.

The Company has voluntarily adopted as far as practicable, the standards on reporting Directors' 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 its Remuneration Policy which was approved by shareholders at the 2020 Annual General Meeting of the Company.

Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee comprises John Coghlan (Chair), Christopher Stephens, Peter Slator, Ian Hemming, Louise Stewart and David Atkins. Wendy Barnes also sat on the Committee and acted as Chair until she stepped down as a Director on 9 September 2021 when John Coghlan was appointed Chair in her stead. The Committee meets at least four 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.

DIRECTORS' REPORT (continued)

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. 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 2021 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, Group Company Secretary and Group General Counsel who meet as and when required to approve bids and other matters in line with the Schemes of Delegated Authority approved by the Board.

Conflicts of interest

The Articles of Association of the Company set out how a Director shall not infringe his duty to avoid a conflict situation and the process to be followed if the situation arises. Directors declare any conflicts of interest at each meeting of the Company. 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, unless otherwise approved by the Board. 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 share dealings of the Directors and members of the Executive Leadership Team 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

The Board has two Family Non-Executive Directors and as part of their responsibilities they engage with family shareholders. During the year they have held individual virtual meetings with family shareholders and operated open virtual surgeries, inviting shareholders to meet with them to discuss views and concerns, thereby facilitating a formal communication channel to ensure the Board is aware of and considers ongoing shareholder sentiment and feedback. In addition, during the year a shareholder consultation exercise was carried which enabled the Board to understand the views of shareholders. The Company also sends out regular updates to its shareholders on the trading position of the Group 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. These meetings allow shareholders the opportunity to ask questions of the Chairman, Group Chief Executive Officer and Group Finance Director. Due to COVID-19, the Annual General Meeting of the Company in 2020 was held virtually, which was well received by shareholders as it allowed the opportunity for many more shareholders to attend the meetings. As this was considered beneficial the 2021 Annual General Meeting was held in person and virtually.

DIRECTORS' REPORT (continued)

Principle Four – Opportunity and Risk

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

Risk identification

The Board and the 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 manage with overall oversight during the year by the Audit & Risk Assurance Committee. From 2022 onwards it has been agreed that this oversight role will be exercised by the Board.

At the beginning of the pandemic, a separate COVID-19 Risk Register was prepared by the Project Management Office, established to manage the impact of COVID-19 on the business and this has been updated throughout the year and reviewed by the Board and the Audit & Risk Assurance Committee in its response to COVID-19.

As part of the process to provide assurance on risk management, "deep-dive" reviews are performed on targeted, specific risks.

The Audit & Risk Assurance Committee 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
- review and approval of the statements to be included in the Annual Report concerning internal controls and risk management.

The Group Head of Risk and Internal Audit holds regular meetings with each member of the ELT via a structed conversation to identify the most significant risks under their areas of responsibilities. These risks are recorded with agreed mitigations and controls put in place including financial, operational and compliance related controls. The risks identified form part of the overall process highlighted above with the most significant risks identified by the Board and ELT being:

- risk of failure to attract and retain sufficient appropriately skilled colleagues due to:
  - global labour shortages as economies grow with lifting of COVID-19 related restrictions; and
  - localised labour shortages caused by movements in-country (due to COVID-19) or government regulatory changes
- risk of failure to grow contract portfolio at acceptable margins
- risk of the Landmark failing to return to profitability in the timeframe agreed
- increasing frequency of terrorist attacks, threat of cyber-attack and information security breach.

The Group has continued to focus and invest in business development resources on market sectors that offer the best prospects for revenue growth at attractive margins. The Board has throughout the year monitored the flexible serviced office sector and Landmark's position within it. It has also engaged with external parties to support the Board's understanding of how COVID-19 has impacted on the flexible serviced office marketplace and the requirements of clients going forward, giving the Board confidence in its assessment of when the business will return to profitability.

The Group has continued to strengthen its information security infrastructure, investing in prevention tools and in early anomaly detection. It continues to adapt to the challenges faced by all businesses on a day-to-day basis to avoid business disruption through the ever-increasing sophistication of attacks.

DIRECTORS' REPORT (continued)

COVID-19

To manage the Group through the COVID-19 pandemic and recovery phases, as highlighted last year and above, 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 which vary country by country reflecting different approaches taken by different governments and varying degrees of support. Each territory has been prime in executing plans under a common framework with the support of the PMO with many of these activities now considered to be day to day operations. The role of the PMO has been:

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

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

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

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

The expected impact on the going concern position of the Group, once consideration of these risks has been taken into account, is described in the Going Concern section of this Directors' Report on page 30. To improve financial resilience, the Directors instigated a number of mitigating actions in 2020 with many continuing into 2021 to minimise the impact on profitability and cashflow, thereby ensuring sufficiency of liquidity in the period, including:

- cancelling the 2020 dividend and not proposing a dividend for 2021 - the importance of dividends to shareholders is recognised but the payment of future dividends will only restart once circumstances satisfy the Board's dividend payment policy
- some discretionary capital and operating expenditures were postponed or cancelled in 2020
- participation in government grant and tax deferral support schemes where possible and appropriate
- the 2020 short-term incentive schemes were structured by the Remuneration Committee to reflect changes in the Group's position as a result of the pandemic
- necessary downsizing restructuring has been undertaken in those geographies and sectors most affected
- increasing our 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
- the flexible serviced office space business exited certain underperforming offices in the portfolio and continued its property related discussions to partially mitigate significant impacts from reduced demand by agreeing and negotiating reduced charges.

Other COVID-19 related impacts on the Group and its stakeholders in year and results of the response to other risks identified are discussed within this corporate governance report in the relevant sections and in the Strategic Report on pages 2 to 8.

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 Head of Risk & Internal Audit to ensure consistency of approach and the Group Corporate Risk Register sets out clearly the likelihood and impact of each risk. The impact ratings considered range 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 summaries the Group's wide-ranging policies (including information security and personal data, anti-bribery, health & 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, assisting in the management of risk, with all Directors required to sign an annual compliance certificate.

As part of our processes, we operate a whistleblowing service operated by a third-party provider which allows our colleagues to report any concerns or wrongdoing anonymously. This forms an integral part of our risk management process. At each Audit & Risk Assurance Committee a summary is presented to the Committee showing all reports received. Where any report is of a material nature the Committee is provided with full detail setting out the circumstances and the action taken by management to address the issues together with any actions required before the matter is closed off. Anonymity is maintained throughout the process.

In line with best practice, the internal audit responsibilities are defined into a charter, which is approved by the Audit & Risk Assurance Committee on an annual basis. The internal audit function reports to the Group Finance Director with a dotted line to the Chair of the Audit & Risk Assurance Committee. The Head of Risk & Internal Audit meets regularly on a one-on-one basis with the Chair of the Audit & Risk Assurance Committee which facilitates 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 & Internal Audit 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 or an explanation will be provided if 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 is continually looking at the use of technology to meet our clients' needs through the Group Centres of Excellence knowledge sharing events that take place to share best practice and innovative ideas across the Group.

Prior to the acquisition of the 1M business in New Zealand during the year, the local management team made a full presentation to the Board, in order that the risks and opportunities from the acquisition could be fully understood and challenged.

Whilst COVID-19 has presented challenges for our flexible serviced office space business, it has also created opportunities and during the year the Landmark management team presented new centre opening opportunities to the Board. These opportunities were evaluated and approved by the Board recognising the benefit the new centre openings will bring to Landmark at the same time as understanding the risks.

DIRECTORS' REPORT (continued)

Principle Five – Remuneration

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

The Company agrees with these statements and as a business employing some 68,000 colleagues including joint ventures in 13 countries, the success of the organisation is dependent upon our colleagues. Some markets, like the UK, have minimum wage obligations, as well as pressure for a range of "living wage" levels. Other countries have neither. In all cases, the Group will only win and retain business depending on the levels of wages that our clients are prepared to pay. Wherever we can, with client support, we pay above minimum wage. While it is possible to hire staff in some countries at minimum wage rates, we take market practice into account in deciding middle and senior management remuneration. To that end we aspire to be an employer of choice within the sectors we operate. By providing employment that treats people with respect and offering future career progression for those who seek this, we will retain our colleagues and their skills and experience for longer which will enable us to achieve our strategy. Our approach to remuneration therefore recognises the diverse requirements and competitiveness of the geographical employment markets we operate in, changing client expectations and needs, legislation and cultural requirements.

As part of the overall annual review of remuneration for senior executives, the Group Director of HR & Corporate Affairs 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, OCS is the largest privately owned facilities management company in the UK market, employing approximately 16,000 colleagues who are predominately based at client sites, providing cleaning, security, catering and other support services. We also have our Landmark our serviced office business operating in the UK. Throughout the Group, the same principles are applied for our front-line client facing colleagues and other colleagues, 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 FTSE350 and where appropriate, against external benchmarking data.

Through various ongoing engagement programs, the Group gains an understanding of colleagues' views in relation to recognition and remuneration and this insight has supported the further development of our Employee Value Proposition and contributed to improvement in colleague retention rates in recent years. As previously mentioned, the economic and financial impact of COVID-19 on our clients in a number of countries and market sectors necessitated some business restructuring in certain parts of our business, which has led to a reduction in the overall number of employees in the last two years. We have worked hard to protect as many jobs as possible throughout the pandemic, using government schemes to support our colleagues in remaining in employment. Unfortunately, in a number of countries there has been no or very little government support which has meant in these countries there have been significant job losses, particularly in India.

The Group Director of HR & Corporate Affairs advises the Remuneration Committee on the design and structure of our short term incentive plan for the Executive Directors, members of the Group 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 Group Executive Leadership Team and other senior managers in the organisation prior to their grant and vesting. To align the interests of management and shareholders, any share options granted to Executive Directors and senior management on or after 1 January 2019 under the Company long term incentive plan (LTIP) are required be held for at least two years after they are vested.

As a private company, we are not required to comply with the CEO pay ratio disclosure requirements but have elected to disclose details. The legislation for public companies requires the ratios of total remuneration of the Chief Executive to the 25th, 50th and 75th equivalent percentiles of full-time equivalent colleagues to be published and companies can elect one of three calculation approaches. We have chosen to use Option C to reference the CEO pay ratio. This option was chosen given the size and complexity of the benchmark in a business with significant part-time employment, variable working hours and colleagues operating in different trading sectors. We have comprehensive data collation and analysis for the purposes of UK gender pay gap reporting and are therefore able to use data for frontline colleagues providing cleaning, security, aviation services and stewarding services to minimise differences in pay definitions between the CEO single total remuneration figure and gender pay reporting. We believe this approach is the most appropriate and robust way for the Company to calculate the ratio.

The total pay of our UK 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 earned in respect of the 2021 year of £1,079,000 are as follows:

CEO pay ratio	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Total pay (FTE)	£19,281	£20,481	£22,838
CEO pay ratio	56 x	53 x	47 x

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.

DIRECTORS' REPORT (continued)

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

This can be evidenced by the analysis of our 2021 gender pay gap data, where the gap between male and female colleagues (6.5% mean, 4.6% median) is a slight increase on the 2020 figures (5.1% mean, 3.1% median) but it is significantly lower than the national gender pay gap of 15.4% as reported by the Office of National Statistics in October 2021 for all employees (part time and full time). The Company has undertaken detailed analysis of the data to understand its position, as shown in the report. The Company's reported gender pay gap includes the impact of the breadth of front line colleague roles it has in the UK, and the relative proportion of male and female colleagues within these different roles. We believe that having a diverse culture generates diversity of thinking, innovation, higher levels of colleague engagement and ultimately better outcomes for our clients. Whilst we understand our gender pay gap, we are committed to making OCS a more diverse and inclusive organisation internationally.

Principle Six – Stakeholder Relationships and Engagement

As stated under the Wates Principles "Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions". Also, as set out in section 172(1)(a) to (f) of the Companies Act 2006 the Directors have a duty to promote the success of the company and Section 172 states:

(1) A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, clients and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct and;
(f) the need to act fairly as between members of the company.

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

The Group has several initiatives in place to engage with stakeholders and the Board has received regular updates as to the engagement with its stakeholders and their views. Particular focus for the Board in 2021 has been:

- undertaking a shareholder consultation exercise;
- formalising the Group's global sustainability strategy which focuses on two key areas being reducing the Group's carbon footprint and advancing social mobility with the Board environmental commitment to reach net-zero carbon by 2040. This commitment is being made now by all OCS UK companies, OCS Ireland, OCS Australia, OCS New Zealand and Landmark, our UK provider of flexible serviced office space; and
- Landmark's continued engagement with landlords given the very significant impact of COVID-19 on the flexible serviced office market and also new centre opening opportunities for Landmark.

Suppliers

Our Landmark flexible serviced office space business operates from 43 centres and we look to foster positive, proactive and collaborative working relationship with our landlords. As the COVID-19 pandemic has had a material commercial impact on the Landmark business and given the poor operating conditions in the flexible serviced office market due to the pandemic, which continued to deteriorate in 2021, negotiations with landlords have taken place to seek amendments to leases and concessions. Collaborative working solutions have been reached with most landlords. Landmark will continue to assess the impact of COVID-19 into 2022 as working to agree appropriate solutions with landlords in accordance with legal guidelines will create a better outcome for all stakeholders.

We proactively work with our supply chain to understand how we can develop our services in order to reduce cost, increase productivity and maximise service outcomes. Importantly, we are working hard to limit the negative impact on our world, while driving the positive impact on the communities we serve, the stakeholders we engage and wider society in general. We believe in genuine and authentic collaboration with our supply chain and feel it is critical for our mutual success. To enable this, we ask all partners in our supply chain in the UK to sign up to and observe our Supplier Charter, governing the way we work and behave and the outcomes we achieve. Our Charter in the UK and other communications with suppliers overseas, sets out our clear expectations around working in line with our Core Values, including health & safety, modern slavery and anti-bribery.

DIRECTORS' REPORT (continued)

Furthermore, as part of our procurement process, suppliers are vetted to ensure that they have suitable policies, processes and systems in place to deliver maximum value to our customers and stakeholders and satisfy the requirements of our Charter. Our Charter is supported by our procurement policy and processes, which promote ethical and sustainable procurement and social mobility. We believe in transparency and openness, and, as such, our Charter promotes the ability for any individual working within our supply chain to report, in confidence, if they believe something is not right. This may be that the Supplier Charter is not being observed, corners are being cut or that individuals are being asked to do something which contravenes law, or, quite simply, just doesn't feel right. We risk assess our entire supply chain at least twice per year, or more frequently should the market dictate, and use this analysis to allocate procurement resources. Our work with our partner organisation, the Slave Free Alliance, is helping raise awareness of human rights, in particular modern slavery, and helping to assess in detail all suppliers classified as high risk, then supporting the building of improvement action plans. We work with our supply chain to understand how we can reduce the depletion of natural resources and increase the positive societal impact of our operations. We have baselined around 67% of our supply chain in the UK against an array of Environmental, Social and Governance metrics, based on those included in the ESGI Global Reporting Initiative and are building co-development plans so that we can make a greater contribution to society.

Collaboration with our suppliers takes place across the globe and as an example in New Zealand we worked with Diversey, a leader in providing smart, sustainable solutions for cleaning and hygiene, on the mobilisation of a new hospital contract for South Canterbury District Health Board where OCS was able to implement a new infection control system that was compliant with the high standards set by the client. In Thailand, our strategic supplier partner Karcher collaborated and celebrated "Thank Your Cleaner Day" across Thailand. Over 300 of our cleaners were honoured at the Bangkok Hospital and Harrow International School, where presentations were made for the Most Dedicated Cleaner, Smart Cleaner and Most Dedicated Site Manager in recognition of their tremendous dedication during the last 18 months of the COVID-19 pandemic and always being there together to keep people safe.

Clients

OCS works with over 20,000 clients around the globe to deliver essential and sustainable facilities management services, 24 hours a day. COVID-19 has highlighted the essential and critical services we provide in large hospitals from cleaning, catering, and portering, to maintaining critical plant equipment to ensure the safety and welfare of patients and staff. We provide the essential services that keep businesses and societies running day in and day out, from large data centres to small private and public-sector enterprises. We work as a strategic partner to clients across a wide range of market sectors to deliver the highest standard of facilities management solutions and we tailor our services to meet the unique demands of each client and to help them to achieve their corporate objectives.

Given the challenging business environment due to the pandemic during the last two years, we have had an unprecedented level of communication with our clients via socially distanced face to face meetings, video calls, emails, WhatsApp & Telegram Messenger communications. As the pandemic hit each client, we have worked with them to understand their changing requirements. In some cases these have been a significant reduction in services, particularly in the aviation, hospitality and retail sectors, and in other cases an increase in services particularly in the healthcare and data centre sectors. Our communication has been in line with our strategic partnership approach which means we work as part of our clients' teams to deliver high quality, sustainable and essential facilities service solutions. We have continued with our brand promise with our clients being "Partnership Made Personal". This means we encompass our values which enshrine our commitment to work in partnership with our clients to help them achieve their goals and improve the experience of their customers.

As an example of "Partnerships Made Personal", in India we are working with our client STT Global Datacentres to place newly trained engineers into employment. STT has partnered with Don Bosco Tech Society to train disadvantaged young people as data centre professionals as part of a CSR initiative. The Unnati scheme, which means 'development' in Hindi, aims to bridge the digital, social and economic divide in India by enhancing the employability skills of marginalised youth through the society's network of technology centres. STT has been reaching out to other businesses and its vendor partners to place the newly trained technicians into roles. We are working to place 20 technicians into our business, which will be benefit us, the young people starting out and help our client achieve its CSR aims. At our Community Health Partnerships contract in the UK, where we deliver cleaning services across 175 sites in north, south and central England, our customer marked World FM Day by presenting our team with a certificate recognising the important partnership we have and thanking our team for their support. In Thailand in partnership with our client Western Digital we provided support for a new field hospital that opened on 28 October 2021 set up in a disused factory to assist the industrial community in Ayuttaya. The field hospital was the first large scale facility of its type in the area with a capacity of 1,300 beds covering an area of 6,300 square metres.

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

DIRECTORS' REPORT (continued)

Funders

The Group does not face the same risks as some other organisations in the facilities services sector due to its low levels of debt and lack of exposure to long term milestone related construction contracts. However, it is important that we have good relationships with all our banks. We take a proactive approach in having a two-way dialogue with the banks to ensure that they are fully aware of our strategy and the development of our business. Throughout the year we have provided updates on the Group's trading position and how the challengers of the pandemic have been managed. The banks in turn have been very supportive and as reported last year the Company renewed its revolving credit facility with HSBC and Barclays in April 2021 with the facility committed until 30 April 2024.

Pension Trustee

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

Employees

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

We maintain strong governance of health and safety across the Group. Health & Safety Committees are in place to set objectives, oversee performance and to proactively manage our health and safety environment. This level of oversight provides assurance that we maintain legal compliance, that we meet client expectations and that we deliver our own high standards at all times. The Health & Safety Committee in Thailand conceived and developed a Safety Week initiative which took place in November. The week-long event raised awareness on slips, trips and falls prevention, chemical safety, ride safely, health check-up and electrical safety. A video was commissioned to support ride safety, with road safety recognised as a significant issue across our operations in Thailand, India, Cambodia and Bangladesh. We maintain and implement robust HSQE management systems, many of which are externally verified. The UK HSQE management system was successfully recertified with the British Standards Institution (BSI) for another three years covering the important ISO Standards of 9001 (Quality), 14001 (Environment) and 45001 (Health & Safety). As well as the on-going BSI assessment programme, other external audits included Achilles UVDB, where we successfully scored 100% across all four categories of Health & Safety, Environment, Quality and CSR.

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

DIRECTORS' REPORT (continued)

The wellbeing of our colleagues is important, and we look for opportunities to engage and inspire colleagues to have healthier lifestyles. This focus on wellbeing is intended to have a positive impact on the lives of colleagues and their families. We run regular health and wellbeing initiatives across all our territories. In New Zealand for example the monthly wellbeing programme covered topics of diabetes, men's health and the benefits of outdoor activities. In India, awareness campaigns covered heart and lung health, diabetes and depression. In Thailand there was a focus on the importance of the influenza vaccine, universal prevention for COVID-19 and simple exercises for our office-based colleagues. In the UK we built on our on-going partnership with Superwellness who delivered four live webinars covering the important issues of nutrition discovery, food for the mind, eight steps to better sleep and winter wellness. We continue to provide support and advice to colleagues through our colleague assistance programmes, with access to a 24/7 helpline which facilitates conversations to help identify and resolve personal concerns. The service is entirely confidential and helps us to retain a happier, healthier workforce.

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

As an international business, we add social value by providing employment and opportunities for progression in the communities in which we work. We partner with other organisations such as Workbridge in New Zealand and Usel in Ireland, to help socially and economically disadvantaged members of communities to access employment. Through our sustainability strategy we commit to break down barriers to opportunities, building on the work we already do in our regions. For example, in Thailand, we received a commendation from the Ministry of Social Development and Human Security for employing a high number of elderly and disabled colleagues. These include 176 colleagues aged 62 to 87 and 305 colleagues with disabilities.

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 and continues during the period of employment with "Back to the Floor" days by senior management, Toolbox Talks, on the job chats, employee surveys and many other forms. Our colleagues are integral to delivering on the promises we make to our clients. It is therefore vital that we recognise and reward those colleagues who make such an important contribution to our business and place our core values at the heart of their day-to-day activities. We have undertaken a number of special initiatives during the period impacted by COVID-19, including virtual colleague engagement visits in the UK and our virtual wellbeing programmes in New Zealand.

We participated in the "Thank Your Cleaner Day. This annual celebration of cleaning operatives around the world is a day when we shine a spotlight on the essential work that our frontline colleagues do every day and encourage our clients, and their customers, employees and service users, to take time to recognise their cleaning team and say thank you. Our businesses internationally including our teams in Australia, New Zealand, Thailand, the UK and Ireland and Landmark, held events recognising and rewarding our frontline colleagues for their efforts and the critical role they have played in the fight against COVID-19. We also participated in the "International Security Officers Day" in recognition of our security officers who have throughout lockdowns and other restrictions been carrying out their duties in the most extraordinary circumstances and taking on additional responsibilities to help protect the health of the public. They have been vital to the frontline defence against COVID-19, stopping the spread of infection through queue management and prevention measures such as the wearing of facemasks. Their presence has helped rebuild public confidence as restrictions are lifted.

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

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

DIRECTORS' REPORT (continued)

Shareholders

In the relations with shareholders section under Principle Three, details are given as to how the engagement process is undertaken and how the views of shareholders are obtained. As agreed with shareholders, the shared purpose is reviewed every five years and the overall governance arrangement no later than every ten years. As the shared purpose has just been reviewed the next review will take place in 2026, together with the overall governance arrangement review.

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. At that time the Board communicated to shareholders that there was a strong need to generate sustainable cash flow to maintain the financial health of the business. As the Group had generated sustainable cashflow in 2019 it had been the intention of the Board to a pay a dividend in April 2020. However, due to the pandemic and the uncertainty created, the Board took the decision not to pay a dividend. The Board continues to be guided by the ability of the Group to deliver positive underlying cash flow and hit financial targets as a strong indicator of the ability to pay a dividend. Given the impact of the pandemic and with the Group not generating positive underlying cashflow during the year due predominantly to market conditions in the serviced office market, the Board is not recommending the payment of a dividend to shareholders currently. It will continue to monitor the position in line with the Board's dividend policy with the aim to restore dividend payments once there is positive underlying cashflow. This approach has been communicated to shareholders and regular updates will continue to be provided as part of our engagement with shareholders.

Business conduct

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

The environment

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

Directors' sustainability statement

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

In October 2021, we published our Group sustainability strategy, clearly setting out our commitment to remove greenhouses gasses emitted through our operations. The businesses in the UK, Ireland, Australia, New Zealand, and our UK Landmark flexible serviced office space business, have committed to a 2040 net zero target, with our other territories targeted to achieve net zero by 2050, ahead of the targets set out by a number of governments in the territories in which we operate.

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

DIRECTORS' REPORT (continued)

Business risks of climate change

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

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

There is an increased risk to our supply chain, due to more regular extreme weather events, especially around farming, which can impact on food supply and food cost inflation. More extreme weather caused by climate change could impact the business, for example Landmark's energy consumption, due to increased demands on HVAC operations and running times when supplying ambient temperatures for their serviced office facilities. However, their diverse range of locations can also offer businesses an opportunity to reduce their travel emissions by acquiring local office space for projects and reducing commuting distances.

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

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

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

Our commitment to a sustainable future

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

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

It is thanks to the hard work of our colleagues, specialist guidance from our experts, and the support of the Group Board, that we are able to make a strong commitment to achieve net zero by 2040. This commitment has been made by our companies in the UK, Ireland, Australia, New Zealand, with our other territories targeted to achieve net zero by 2050. This is a full scope commitment, including scope 1, 2, and all of scope 3. Throughout 2022, our remaining territories will be working on their local strategies, plans and practical steps, to set achievable net zero targets in line with the Group strategy.

Thailand, for example has implemented several actions to start their journey, setting up a sustainability committee and obtaining expert help from a Thai government regulated organisation, in order to help them formulate their strategy, capture and record their carbon emissions and develop a transition plan to net zero.

Our net zero commitment will be supported by science-based targets to reduce emissions in line with the Paris agreement goal to limit global warming to 1.5 degrees. Setting science-based targets provides resilience against new regulations, drives innovation and demonstrates the authenticity of our sustainability commitments. The UK and Ireland will be the first businesses to finalise their transition plans for Board approval in Q2 of 2022 and submit science-based targets in Q3 2022 to achieve net zero by 2040, with Australia, New Zealand and Landmark following later in the year.

We are under no illusions that achieving a 2040 target is simple, we recognise that scope 3 is complex and will require us to influence our supply chain and other partners. It cannot be achieved without the engagement of all our colleagues. UK procurement has gained agreements with their Tier 1 & 2 suppliers to work together on joint development plans aligned with Environmental, Social and Corporate Governance (ESG) metrics, as part of their operational review board continuous improvement plans. Tier 1 & 2 suppliers make up the majority of the UK suppliers. Actions resulting from these plans will be a focus throughout 2022.

DIRECTORS' REPORT (continued)

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

Putting our strategy into action

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

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

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

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

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

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

Decarbonisation of our supply chain is a crucial element to achieving our 2040 net zero target, with our procurement team working on over 30 environmental related projects to reduce our impact on the planet. One of these projects in the UK has seen a 96% reduction in mixed municipal waste ending up in landfill and contributing to greenhouse gas emissions. Moving our waste management to a more sustainable conscious supplier has provided us with more control, accurate data and better reporting, which has helped us reduce our mixed municipal waste to landfill from 322 tonnes in 2020 to 11.2 tonnes in 2021.

Our sustainability strategy was front and centre in Landmark's new office space in the iconic Lighthouse building in Kings Cross, London. The environmental impact of both the fit out and running of the building are key project deliverables and key sustainable features will include BREEAM 'Very Good' rating, zero heating and cooling carbon emissions and water consumption efficiency measures.

We are also tackling energy consumption and carbon emissions at our main offices by introducing energy efficient measures and exploring technology to neutralise our carbon emissions. For example, Thailand has installed solar panels on the roof of its head office car park which is already providing 10% of their energy consumption. Also, as part of an energy saving project, all our UK offices, which are already supplied with 100% renewable energy, have been retrofitted with LED lights and PIR sensors and we are replacing main office gas boilers with electric alternatives that are 150% more efficient starting in 2022, helping us remove significant emissions from our operations. In addition, we have instigated two feasibility studies looking at the viability of installing wind and solar power.

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

DIRECTORS' REPORT (continued)

For example, in October 2021 100 of our colleagues in Thailand volunteered to plant 300 mangrove trees in Chachoengsao, wading through muddy swamps in the afternoon sun, working side-by-side with employees from the Thai Department of Marine and Coastal Resources to preserve valuable coastal areas and contributing to the natural reduction of CO2. Our Australasia businesses have gone carbon neutral, offsetting their direct operational carbon emissions covering all of scope 1, 2 and scope 3 business travel and waste emissions through the purchase of quality carbon credits that meet industry best practice. As they continue to work to permanently remove greenhouse gas emissions, they are committed to annually offset the unavoidable emissions emitted through their operations.

The work we are undertaking as a business to reduce our operational emissions is being recognised. In 2021 OCS Australia was one of five international finalists in the Toitu Brighter Future Award for climate action, having been certified for two years and achieving a 36% reduction on absolute total emissions.

We will be reporting on many more of our sustainability plans and actions including a focus on social mobility in our first Group annual sustainability report which will be published in June 2022.

The Board and senior management maintain a close eye on the implementation and progress of our sustainability strategy, playing a key role at each key milestone of its development, which will continue in 2022 by signing off the UK and Ireland's transition plan to net zero and science based targets submission.

Streamlined Energy and Carbon Reporting (SECR) methodology

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

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

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

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

It was determined that the most appropriate boundary of control (financial, organisational or operational) to report on was operational control. The OCS subsidiaries that are required to report, based on the SECR reporting guidelines, are OCS Group Limited, OCS Group UK Limited and Landmark Limited.

This methodology has been applied to their operations for 2021, accounting for 59% of the Group's revenue. Our data inventory has been certified in accordance with international standard ISO 14064-1 by a qualified independent auditor.

DIRECTORS' REPORT (continued)

Streamlined Energy and Carbon Reporting data

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

	Total consolidated UK Consumption & Carbon Emissions				OCS Group Limited			
	2021		2020		2021		2020	
Emission source	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e
Scope 1 – Natural Gas & Fuel Consumption	21,956,661	4,414.7	25,913,293	5,375.4	-	-	-	-
Scope 2 – Electricity	11,108,971	2,358.8	13,501,496	3,147.7	-	-	-	-
Scope 3 – Business Travel	7,941	550.5	15,558	710.8	-	0.9	-	125.0
Total (Scope 1 + Scope 2 + Scope 3)	33,073,573	7,324.0	39,430,347	9,233.9	-	0.9	-	125.0
Financial Turnover	£533,873,000		£525,711,000		-		-	
Intensity Ratio: tCO2e/turnover £m	13.72		17.56		-		-	
intensity Ratio: tCO2e /turnover yearly % change	-21.9%		NA First year		NA		NA	

	OCS Group UK Limited				Landmark Limited			
	2021		2020		2021		2020 *	
Emission source	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e	Energy Consumption (kwh)	tCO2e
Scope 1 – Natural Gas & Fuel Consumption	19,117,289	3,894.7	21,637,730	4,589.3	2,839,372	520.0	4,275,563	786.1
Scope 2 – Electricity	1,018,949	216.4	1,361,435	317.4	10,090,022	2,142.4	12,140,061	2,830.3
Scope 3 – Business Travel	-	547.7	-	582.1	7,941	1.9	15,558	3.7
Total (Scope 1 + Scope 2 + Scope 3)	20,136,238	4,658.8	22,999,165	5,488.8	12,937,335	2,664.3	16,431,182	3,620.1
Financial Turnover	£460,977,000		£429,805,000		£72,896,000		£95,906,000	
Intensity Ratio: tCO2e/turnover £m	10.11		12.77		36.55		37.75	
intensity Ratio: tCO2e /turnover yearly % change	-20.9%		NA First year		-3.2%		NA First year	

* 2020 Landmark data excludes eight sites in The Space Holdings London Limited sub-group

DIRECTORS' REPORT (continued)

We have voluntarily included Australia, New Zealand and Ireland's emissions for 2021 and 2020 as part of our intention to include all our territories scope 1, 2 and scope 3 business travel emissions in future reports, in line with our promise to openly share progress on our journey. The data is verified by a qualified independent auditor.

	New Zealand *		Australia		Ireland	
	2021	2020	2021	2020	2021	2020
Emission source	tCO2e	tCO2e	tCO2e	tCO2e	tCO2e	tCO2e
Scope 1 – Natural Gas & Fuel Consumption	1,439	1,388	181	165	446	565
Scope 2 – Electricity	0	7	115	140	65	171
Scope 3 – Business Travel	43	59	9	37	37	35
Total (Scope 1 + Scope 2 + Scope 3)	1,482	1,454	305	342	548	771
Financial Turnover	£94,492,000	£79,472,000	£39,997,000	£39,023,000	£36,989,000	£41,541,000
Intensity Ratio: tCO2e/turnover £m	15.68	18.30	7.63	8.76	14.81	18.56
intensity Ratio: tCO2e /turnover yearly % change	-14%	NA First year	-13%	NA First year	-20%	NA First year

* New Zealand excludes 1st Maintenance Limited and 1st Mechanical Limited acquired in April 2021

The community

We place huge importance on our corporate responsibility and environmental sustainability programme. This 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, OCS also work with and invest directly in community and environmental initiatives around the world.

As an example, we have joined forces with a UK charity to support veterans with health conditions into sustainable employment. The partnership with The Poppy Factory will enable us to expand our delivery of the OCS Foundation's People into Work programme and support more people. The Poppy Factory's employment consultants provide wraparound support for veterans as they move through the recruitment, onboarding and employment process. Their approach also supports OCS hiring managers as they help veterans into work overcoming barriers including PTSD and other mental health conditions, social isolation, homelessness and inexperience of civilian employment. As reported above, our colleagues in Thailand volunteered to plant 300 mangrove trees in Chachoengsao, wading through muddy swamps in the afternoon sun, working side-by-side with employees from the Thai Department of Marine and Coastal Resources, to preserve valuable coastal areas and contributing to the natural reduction of CO2.

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

DIRECTORS' REPORT (continued)

GOING CONCERN

The Group ended the year in a structurally sound position, with a diverse geographical and market sector revenue base and in a position of financial strength. Net cash funds were £34.9m, having paid £46.1m of 2020 deferred payments, reflecting the resilience of the business to the global pandemic along with some government support measures. The demonstration of another year of managing the COVID-19 pandemic impact reflects the strength of the business and decisive restructuring actions taken in 2020 meant we continue to hold our own as a financially stable business and management believe the outlook for the Group is positive. Our liquidity is forecast to remain strong, and we continue to project very low utilisation of debt in our forecasts.

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

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

Under the baseline scenario, equivalent to the Group's approved 2022 budget and subsequent two year plan, all covenant tests are met, with the maximum gearing at 0.36x at June 2022. The minimum fixed cover ratio is also met, with lowest headroom also at June 2022 at 27% of forecast EBITDA. The covenant calculations include financing costs based on expected debt levels and interest rates and serviced office rent cost projections reflective of delivered rent negotiations.

Due to the robustness of the facilities services businesses' response to the pandemic, the gearing covenant is unlikely to be breached in any plausible scenario and therefore the stress testing focused primarily on how much the demand in the flexible serviced office sector would need to deteriorate before the fixed cover ratio covenant could not be met. Under the baseline scenario we reverse stress tested the possible level of deterioration of the turnover of the Landmark business and the headroom would permit a 35% drop in turnover for Q2-2022 to Q1-2023. This ignores any corresponding reduction that would occur in incentive scheme costs or any mitigation measures that would be deployed in the Group or specific to Landmark to further reduce costs.

Whilst actual outcomes could be better or worse than forecast, and reverse stress testing has been considered by the Directors in this assessment, 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 restructuring activities to closedown loss making or underperforming businesses and make a tactical reduction to the Group's overhead base proportionate to a smaller sized organisation in the event of a further decline. As such, the Directors do not consider that the forecasting uncertainties are material to the Group in terms of its ability to meet its obligations as and when they fall due and to remain within its banking covenants in the forecast period.

Going concern conclusion

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

SUBSEQUENT EVENTS

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

DIVIDENDS

The Board continues to be guided by the ability of the Group to deliver positive underlying cash flow and hit financial targets as a strong indicator of the ability to pay a dividend. Given the cash outflow during the year and level of government support received the Board will not be recommending a payment of a dividend to shareholders in April 2022. It will continue to monitor the position in line with the Board's dividend policy.

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
6 April 2022

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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent Company Balance Sheets;
- the Consolidated and parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 31.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis and reverse stress testing
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management
- external market factors
- post-year end performance.

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

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

Other information

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

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

We have nothing to report in this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

We obtained an understanding of the legal and regulatory frameworks that the Group operates in and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included company law, generally accepted accounting practices, pensions legislation, tax legislation, minimum wage legislation and government assistance legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included health & safety legislation as well as employment law.

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

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

- **revenue recognition in contracts of scale and complexity within the facilities services business**: we assessed monthly billing profiles of contracts identified as a significant audit risk, whilst also performing substantive testing at this contract level on both the revenue balance itself and related items (e.g. debtors, credit notes). We performed enquiry with key contract management to further our understanding and identification of variances, corroborating this by obtaining relevant evidence. We investigated KPIs for any failures, related claims and disputes within the identified significant risk contract portfolio and considered the impact of these on the recognition of revenue, whilst also performing an investigation for contradictory evidence across public and private information around the Group. We tested design and implementation of key controls relating to the risk;
- **impairment of goodwill and investments**: we have challenged the reasonableness of management's forecasts and other significant inputs in CGUs assessed as featuring indicators of impairment by considering internal and external performance indicators, along with historical evidence of both actual performance and the accuracy of management's forecasts. We also performed an independent assessment on the relative impact of major assumptions and tested design and implementation of key controls relating to the risk; and
- **impairment of assets related to leaseholds and completeness of onerous lease provisions in the Landmark flexible serviced office space business**: we have challenged the reasonableness of management's forecasts and other significant inputs, including occupancy and workstation rates, by considering internal and external performance indicators, along with historic evidence of both actual performance and the accuracy of management's forecasts. We also performed an independent assessment on the relative impact of major assumptions and considered the vulnerability of leases becoming loss making, and tested design and implementation of key controls relating to the risk.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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

In addition to the above, our procedures to respond to the risks identified included the following:

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the 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
6 April 2022

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 £'000	2020 £'000
TURNOVER	3	**909,165**	922,317
Cost of sales		**(805,698)**	(841,923)
Government grant income	7	**10,617**	41,069
GROSS PROFIT		**114,084**	121,463
Administrative expenses		**(112,344)**	(110,522)
Government grant income	7	**274**	1,504
GROUP OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**2,014**	12,445
Exceptional items	4	**54**	(56,374)
GROUP OPERATING PROFIT/(LOSS)		**2,068**	(43,929)
Share of operating profit of joint ventures	15(A)	**2,322**	1,550
PROFIT/(LOSS) BEFORE FINANCE COSTS		**4,390**	(42,379)
Finance costs (net)	5	**(2,450)**	(2,171)
PROFIT/(LOSS) BEFORE TAXATION	6	**1,940**	(44,550)
Tax on profit/(loss)	9	**2,402**	(3,456)
Profit after taxation - excluding exceptional items		**4,766**	4,947
Exceptional items after taxation	4	**(424)**	(52,953)
PROFIT/(LOSS) AFTER TAXATION		**4,342**	(48,006)
Non-controlling interest		**(92)**	(104)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**4,250**	(48,110)
Profit/(loss) per share (basic)	10	**83p**	(969p)
Profit/(loss) per share (diluted)	10	**81p**	(969p)

All activities derive materially from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 £'000	2020 £'000
Profit/(loss) for the financial year		**4,250**	(48,110)
Currency translation differences on foreign currency net investments		**(2,872)**	203
Actuarial gain/(loss) on retirement benefit schemes	23	**2,654**	(257)
		(218)	(54)
Tax relating to components of other comprehensive income	9	**(1,563)**	14
Other comprehensive expense		**(1,781)**	(40)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**2,469**	(48,150)
Total comprehensive income/(expense) for the year attributable to:			
- non-controlling interest		**46**	84
- equity shareholders of the Company		**2,469**	(48,150)
		2,515	(48,066)

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2021

	NOTE	**2021** **£'000**	2020 £'000
FIXED ASSETS			
Intangible assets	13	**54,265**	53,075
Tangible assets	14	**48,836**	55,672
Investments	15	**6,456**	5,983
		109,557	114,730
CURRENT ASSETS			
Retirement benefit assets	23	**2,889**	1,097
Stocks	17	**2,829**	3,576
Debtors: amounts falling due within one year	18	**124,069**	117,472
Debtors: amounts falling due after more than one year	18	**37,513**	28,606
Investments - short term bank deposits		**5,664**	8,378
Cash at bank and in hand		**36,179**	93,648
		209,143	252,777
Creditors: amounts falling due within one year	19	**(206,275)**	(230,347)
NET CURRENT ASSETS		**2,868**	22,430
TOTAL ASSETS LESS CURRENT LIABILITIES		**112,425**	137,160
Creditors: amounts falling due after more than one year	20	**(37,442)**	(48,872)
Provisions for liabilities	22	**(27,856)**	(39,553)
NET ASSETS EXCLUDING RETIREMENT BENEFIT LIABILITIES		**47,127**	48,735
Retirement benefit liabilities	23	**(718)**	(4,915)
NET ASSETS		**46,409**	43,820
CAPITAL AND RESERVES			
Called up share capital	25(A)	**540**	540
Share premium account	25(B)	**189**	189
Capital redemption reserve	25(B)	**63**	63
ESOP reserve	25(B)	**(8,220)**	(8,315)
Profit and loss account	25(B)	**53,343**	50,828
SHAREHOLDERS' FUNDS		**45,915**	43,305
Non-controlling interest		**494**	515
TOTAL CAPITAL EMPLOYED		**46,409**	43,820

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

Signed on behalf of the Board of Directors

John Hunter
Group Chief Executive

James Darnton
Group Finance Director

Company registration number: 01298292

COMPANY BALANCE SHEET
31 DECEMBER 2021

	NOTE	2021 £'000	2020 * (restated) £'000
FIXED ASSETS			
Intangible assets	13	**157**	224
Tangible assets	14	**1,007**	1,236
Investments	15(D)	**45,870**	119,562
Loans owed by subsidiary undertakings	16	**28,413**	20,338
		75,447	141,360
CURRENT ASSETS			
Retirement benefit assets	23	**2,889**	1,097
Debtors: amounts falling due within one year	18	**20,407**	6,776
Debtors: amounts falling due after more than one year	18	**697**	954
Investments - short term bank deposits		**303**	3,292
Cash at bank and in hand		**28**	4,167
		24,324	16,286
Creditors: amounts falling due within one year	19	**(45,719)**	(121,868)
NET CURRENT LIABILITIES		**(21,395)**	(105,582)
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,052**	35,778
Creditors: amounts falling due after more than one year	20	**(3,972)**	(987)
Provisions for liabilities	22	**(9,906)**	(11,703)
NET ASSETS EXCLUDING RETIREMENT BENEFIT LIABILITIES		**40,174**	23,088
Retirement benefit liabilities	23	**(718)**	(4,915)
NET ASSETS		**39,456**	18,173
CAPITAL AND RESERVES			
Called up share capital	25(A)	**540**	540
Share premium account	25(B)	**189**	189
Capital redemption reserve	25(B)	**63**	63
ESOP reserve	25(B)	**(8,220)**	(8,315)
Profit and loss account	25(B)	**46,884**	25,696
SHAREHOLDERS' FUNDS		**39,456**	18,173

*2020 restated to reclassify £20,338,000 loans owed by subsidiary undertakings from debtors to fixed assets, see note 16.

The Company's profit for the financial year was £19,276,000 (2020: £12,412,000).

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

Signed on behalf of the Board of Directors

J. Hunter

John Hunter

Group Chief Executive

James Darnton

Group Finance Director

Company registration number: 01298292

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	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 2020	792	(8,315)	98,978	91,455	549	92,004
(Loss)/profit for the financial year	-	-	(48,110)	(48,110)	104	(48,006)
Other comprehensive expense:						
- currency translation differences on foreign currency net investments	-	-	(11)	(11)	(20)	(31)
- actuarial loss on retirement benefit schemes	-	-	(29)	(29)	-	(29)
Dividends paid on equity shares	-	-	-	-	(118)	(118)
At 31 December 2020	792	(8,315)	50,828	43,305	515	43,820
Profit for the financial year	-	-	4,250	4,250	92	4,342
Other comprehensive expense:						
- currency translation differences on foreign currency net investments	-	-	(3,647)	(3,647)	(46)	(3,693)
- actuarial gain on retirement benefit schemes	-	-	1,866	1,866	-	1,866
Dividends paid on equity shares	-	-	-	-	(67)	(67)
Equity settled share-based payments	-	-	141	141	-	141
Issue of shares by ESOP	-	95	(95)	-	-	-
At 31 December 2021	**792**	**(8,220)**	**53,343**	**45,915**	**494**	**46,409**

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 2021

	SHARE CAPITAL ETC.	ESOP RESERVE	PROFIT AND LOSS ACCOUNT	TOTAL
	£'000	£'000	£'000	£'000
At 1 January 2020	792	(8,315)	13,313	5,790
Profit for the financial year	-	-	12,412	12,412
Other comprehensive income:				
- actuarial loss on retirement benefit schemes	-	-	(29)	(29)
At 31 December 2020	792	(8,315)	25,696	18,173
Profit for the financial year	-	-	19,276	19,276
Other comprehensive expense:				
- actuarial gain on retirement benefit schemes	-	-	1,866	1,866
Equity settled share-based payments	-	-	141	141
Issue of shares by ESOP	-	95	(95)	-
At 31 December 2021	**792**	**(8,220)**	**46,884**	**39,456**

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 2021

	NOTE	**2021** **£'000**	2020 £'000
Net cash flows from operating activities			
- excluding lump sum pension contributions		**(26,085)**	90,967
- lump sum pension contributions		**(3,241)**	(4,433)
Cash flows from operating activities	26(A)	**(29,326)**	86,534
Cash flows from investing activities	26(B)	**(16,251)**	(14,841)
Cash flows from financing activities	26(C)	**(10,209)**	(10,562)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(55,786)**	61,131
Cash and cash equivalents at beginning of year		**98,730**	37,173
Currency translation differences		**(1,404)**	426
CASH AND CASH EQUIVALENTS AT END OF YEAR		**41,540**	98,730

RECONCILIATION TO CASH AT BANK AND IN HAND		
Cash at bank and in hand	**36,179**	93,648
Less: restricted cash	**-**	(4)
Investments - short term bank deposits	**5,664**	8,378
Less: restricted short term bank deposits	**(303)**	(3,292)
CASH AND CASH EQUIVALENTS	**41,540**	98,730

See note 27 for the reconciliation of the movement in cash and cash equivalents to the movement in net funds. Net funds at 31 December 2021 were £34,941,000 (2020: £87,492,000).

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 and prior year. As stated in note 16, comparatives have been restated for the inclusion of amounts owed by subsidiary undertakings within fixed assets rather than current assets where the amounts are used to meet the long term funding requirements of the borrower.

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 2021. The comparative results are for the year ended 31 December 2020.

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 31. The Group's principal risks and the impact of the COVID-19 pandemic are summarised on pages 16 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 £70m is fully committed to 30 April 2024.

The Group's forecasts, more fully described in the Directors' Report on page 30, 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 clients and suppliers across different geographies and sectors providing a counterbalance to the short term trading pressures in the UK serviced office sector 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.

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.

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 amount 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 value in use 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 except for COVID-19-related rent concessions that meet the criteria in Section 20 of FRS 102 for recognition in the period that the change in lease payments is intended to compensate.

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.

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 to the extent considered recoverable or a 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.

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 date. 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. License fees due from clients in respect of serviced offices is recognised on a straight line basis over the period of the license. 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 clients in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Government grants

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

Exceptional items

The 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 £37,853,000 (2020 £29,811,000), which relate primarily 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.

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

Key sources of estimation uncertainty (continued)

Impairment of goodwill

Details of the exceptional fixed asset impairments recorded by the Group in the prior year are disclosed in note 4. Determining whether fixed assets are impaired requires an estimation of the fair value less costs to sell and 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 £43,111,000 (2020: £42,641,000) after impairment losses of £nil (2020: £16,707,000) were recognised in the year.

The main impairment losses in the prior year (£15,212,000) related to the Group's Landmark flexible serviced office space businesses. An impairment review has been reperformed in the current year identifying headroom of £10,637,000. The key inputs and areas of uncertainty in the value in use calculation are workstation rates, occupancy levels, cost inflation and the level of contingency overlaid to reflect future uncertainty. If turnover (a function of workstation rates and occupancy levels) was 1% below the level assumed in the forecast period and ignoring the embedded contingency and the beneficial impact of likely cost mitigation, the value in use would fall by £11,207,000.

Following a review for impairment indicators, one other goodwill impairment review was undertaken at year end and sufficient headroom was identified allowing the Directors to conclude that no impairment charge was 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 headroom (£2,634,000) was in respect of goodwill of £8,450,000 concerning one entity in Asia-Pacific where a fall in forecast medium term sales growth rates of 1% per annum would reduce the value in use by £1,234,000 or a fall in the forecast country long term growth rate of 1% would reduce the value in use by £1,175,000.

Retirement benefit schemes

The net surplus/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 surplus recognised for the Group's defined benefit retirement benefit schemes is £2,171,000 (2020: deficit of £3,818,000) after actuarial gains in the year of £2,654,000 (2020: losses of £257,000). An asset ceiling adjustment of £11,634,000 (2020: £nil) has been recorded in respect of a surplus that cannot currently be recognised due to recoverability uncertainty.

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 2021 the provision in respect of the Group's Thailand pension and long service award arrangements is £13,146,000 (2020: £14,001,000) after recognising a charge in the year (excluding unwinding of discount) of £1,870,000 (2020: £3,713,000). The provision is based on projections from triennial actuarial reports prepared in 2021, 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 £775,000, a 1% increase to wage inflation would increase the provision by £670,000 and a 1% decrease to the discount rate would increase the provision by £671,000. 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:

	2021	2020
	£'000	£'000
Facilities services	**836,269**	815,405
Serviced office solutions	**72,896**	106,912
	909,165	922,317
Asia-Pacific	**337,957**	347,350
United Kingdom	**534,219**	536,986
Rest of the world	**36,989**	37,981
	909,165	922,317

4. EXCEPTIONAL ITEMS

	2021 £'000	2020 £'000
Profit on sale of properties	**683**	755
(Loss)/profit on acquisitions and disposals of operations	**(276)**	100
Restructuring and consultancy costs	**(3,786)**	(12,113)
Bad debts	**282**	(1,782)
Holiday pay and pension costs	**421**	(2,836)
Landmark onerous leases	**1,098**	(13,094)
Landmark tangible fixed asset impairments	**1,632**	(9,576)
Impairment of goodwill	**-**	(16,707)
Other fixed asset impairments	**-**	(1,121)
	54	(56,374)
Share of exceptional items of joint ventures	**(20)**	(175)
	34	(56,549)
Tax on exceptional items	**(458)**	3,596
	(424)	(52,953)

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

(Loss)/profit on acquisitions and disposals of operations mainly relates to the agreement of deferred consideration in 2021 for a prior acquisition, the sale of a small non-core business in the UK in 2021 and residual items in respect of prior disposals.

Restructuring and consultancy costs reflect employee severance costs and other amounts incurred as a necessary reaction to reduced demand caused by the COVID-19 pandemic (including action to reduce overhead costs) and broader strategic review costs.

Bad debts are directly attributable to COVID-19, the net credit in 2021 reflects the benefit of some subsequent recoveries of amounts provided in 2020.

Holiday pay and pension costs includes a reassessment of the accrual for New Zealand holiday pay, in common with many significant employers in New Zealand following government clarification of how this should be calculated (2020: £2,754,000 cost with a subsequent £421,000 true-up reduction in 2021). In addition, 2020 includes a Guaranteed Minimum Pension (GMP) equalisation charge in the UK of £82,000.

Landmark onerous leases and asset impairments relate to the Group's flexible serviced office space businesses where the adverse impact of COVID-19 on sites with short remaining lease periods is greater than the forecast subsequent cash flows following the expected recovery. In 2021 there has been a net partial reversal of the required provisions and impairments following mitigating action taken in the year and an improved outlook compared to the prior year position.

Impairment of goodwill in 2020 mainly related to the Landmark businesses (£15,212,000) where, due to the effects of COVID-19, the carrying values of goodwill exceeded the estimated recoverable amounts. The other goodwill impairment charge (£1,495,000) related to the sale of a non-core business in 2021.

Other fixed asset impairments in 2020 were mainly associated with the business exiting two of the Company's properties.

5. FINANCE COSTS (NET)

	2021	2020
	£'000	£'000
Interest payable on bank loans and overdrafts	1,707	1,151
Interest payable under finance leases and hire purchase contracts	71	114
	1,778	1,265
Interest receivable	(242)	(381)
Unwinding of discount on provisions	378	209
Currency adjustments	22	183
Other finance expenses	467	812
	2,403	2,088
Share of net interest payable of joint ventures	47	83
	2,450	2,171

Other finance expenses includes income of £28,000 (2020: expense of £121,000) in respect of defined benefit retirement benefit schemes (see note 23).

For financial instruments that are not measured at fair value through profit or loss, the total interest income for financial assets was £242,000 (2020: £381,000) and the total interest expense for financial liabilities was £2,154,000 (2020: £1,626,000). This financial instruments disclosure excludes income and expense in respect of finance leases and hire purchase contracts and retirement benefit schemes.

6. PROFIT/(LOSS) BEFORE TAXATION

	2021	2020
	£'000	£'000
Profit/(loss) before taxation is after charging/(crediting):		
Depreciation of tangible fixed assets	**12,568**	16,526
Amortisation of goodwill	**6,913**	9,287
Amortisation of brands	**713**	713
Amortisation of software	**2,326**	2,523
(Reversal of impairment)/impairment of tangible fixed assets	**(1,632)**	10,692
Impairment of goodwill	**-**	16,707
Impairment of software	**324**	5
Rentals under operating leases:		
– hire of plant and machinery	**2,981**	2,485
– other operating leases	**43,957**	50,853
Auditor's remuneration:		
– audit of the Company's annual accounts	**294**	362
– audit of the Company's subsidiary undertakings	**581**	536
– tax compliance services	**52**	85

Rentals under other operating leases are stated net of £5,231,000 (2020: £2,167,000) of COVID-19-related rent concessions that meet the criteria for recognition in the period that the change in lease payments is intended to compensate.

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.

7. GOVERNMENT GRANTS AND OTHER SUPPORT MEASURES

During the current and prior year certain grants and other support measures were provided by governments around the world in response to the COVID-19 pandemic.

The Group recognised £10,891,000 (2020: £42,573,000) of government grants to support the employment of the Group's employees. These grants have been shown as income, with £10,617,000 (2020: £41,069,000) included in gross profit to align this grant income to the related wages cost. Other support measures including reduced social security costs totalled £1,274,000 (2020: £913,000) in the year. There are no unfulfilled conditions or contingencies attached to the grants and other support measures received.

The Group's cash position at 31 December 2021 has benefitted from £2,552,000 (2020: £20,814,000) of deferred UK VAT payments (including £36,000 (2020: £290,000) relating to the Company), fully paid by January 2022, and £nil (2020: £27,800,000) of deferred UK commercial rent payments by the Group's Landmark flexible serviced office space businesses under the government moratorium as the Landmark Directors have had to very carefully manage cashflows and protect liquidity in the face of severely depressed results due to COVID-19. The Company has extended financial support to the Landmark business through additional intercompany loan funding of £7,479,000 (2020: £12,021,000) in the year.

Other short term tax deferrals were in place during the current and prior year but did not benefit the Group's closing cash positions.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £'000	2020 £'000
Directors' remuneration:		
Emoluments	2,414	1,308
Company contributions to defined contribution pension schemes	3	4
Emoluments	2,417	1,312

Directors' emoluments incorporate salaries, bonuses payable and other benefits. The Group Chief Executive elected not to receive a bonus in respect of 2020 given the pandemic.

One Director (2020: one) was a member of a defined contribution pension scheme and two Directors (2020: nil) exercised share options in the year.

Emoluments of the highest paid Director were £1,079,000 (2020: £448,000). The highest paid Director exercised share options in the current year and no other shares were received or receivable by that Director under a long term incentive scheme in the current or prior year.

Total key management personnel compensation including social security costs was £7,792,000 (2020: £4,539,000). Key management personnel are the Directors and the Executive Leadership Team (ELT), the current ELT members are shown on page 1.

	GROUP		COMPANY	
	2021 No.	2020 No.	2021 No.	2020 No.
The average number of employees, some being employed on a part-time basis, was:				
Operations	59,022	62,582	-	-
Sales and administration	1,719	1,776	48	44
	60,741	64,358	48	44

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Staff costs, including Directors, incurred in respect of these employees were:				
Wages and salaries	548,180	537,154	8,085	6,094
Social security costs	36,894	36,913	1,247	666
Other pension costs	16,830	16,141	163	283
	601,904	590,208	9,495	7,043

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 £10,259,000 (2020: £9,375,000) for the Group relating to overseas pension arrangements, £6,502,000 (2020: £6,566,000) for the Group and £176,000 (2020: £166,000) for the Company relating to UK defined contribution schemes and £69,000 (2020: £200,000) for the Group and a credit of £13,000 (2020: cost of £117,000) 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 £nil (2020: £82,000) for the Group and Company relating to a Guaranteed Minimum Pension (GMP) equalisation charge in the UK.

9. TAX ON PROFIT/(LOSS)

	2021 £'000	2020 £'000
Current tax		
Foreign tax	6,450	8,970
Adjustment to prior periods' tax provisions:		
- UK corporation tax	12	52
- foreign tax	90	108
	6,552	9,130
Deferred tax		
Origination and reversal of timing differences	(2,401)	(4,107)
Change in tax rates	(6,802)	(1,845)
Adjustment to prior periods' tax provisions	(173)	21
	(9,376)	(5,931)
Share of tax of joint ventures	422	257
	(2,402)	3,456

	2021	2020
Reconciliation of total tax (credit)/charge:		
Profit/(loss) before tax	1,940	(44,550)
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2020: 19%)	369	(8,465)
Factors affecting (credit)/charge for the year:		
- expenses not deductible for tax purposes	3,017	6,410
- (utilised)/unutilised tax losses	(639)	3,529
- overseas tax rates	1,884	2,848
- other non-taxable income	(102)	(186)
- change in UK deferred tax rate	(6,802)	(1,845)
- deferred tax not recognised on timing differences	(58)	984
- adjustments in respect of prior periods	(71)	181
Total tax (credit)/charge for the year	(2,402)	3,456

In addition to the tax (credit)/charge shown above there is an overseas corporation tax charge of £775,000 (2020: £214,000) and a UK deferred tax charge of £788,000 (2020: credit of £228,000) dealt with in the statement of comprehensive income.

10. PROFIT/(LOSS) PER SHARE

	PROFIT/ (LOSS) 2021 £'000	BASIC PROFIT/ (LOSS) PER SHARE 2021 PENCE	DILUTED PROFIT/ (LOSS) PER SHARE 2021 PENCE	PROFIT/ (LOSS) 2020 £'000	BASIC AND DILUTED PROFIT/ (LOSS) PER SHARE 2020 PENCE
Profit for the financial year excluding exceptional items	4,674	91	89	4,843	98
Exceptional items (note 4)	(424)	(8)	(8)	(52,953)	(1,067)
Profit/(loss) for the financial year	4,250	83	81	(48,110)	(969)
Weighted average A ordinary and ordinary shares		5,094,013	5,235,896		4,964,957

The calculation of diluted profit/(loss) per share in 2021 includes 141,883 contingently issuable shares under the Group's long term incentive schemes (see note 12). Further shares under these schemes could potentially dilute basic earnings per share in the future.

11. 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 profit for the financial year was £19,276,000 (2020: £12,412,000).

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 under the Group share option scheme are as follows:

	GROUP	
	2021	2020
	No.	No.
At 1 January	**577,569**	577,569
Exercised	**(104,529)**	-
Cash settled	**(10,049)**	-
Forfeited	**(149,470)**	-
At 31 December	**313,521**	577,569

In addition, the holders of nil (2020: 5,623) share options were eligible to receive shares if they remained with the Group until 30 April 2021. In the year 2,923 of these share options were exercised and 2,700 were forfeited.

At 31 December 2021 16,857 options were exercisable (2020: nil).

The exercise price for all share options is £nil.

The Group recognised a charge of £36,000 (2020: credit of £804,000) within administrative expenses related to share-based payment transactions arising under the share option schemes.

Long term incentive schemes

During the year certain Group employees participated in three year incentive schemes. At the end of the three years employees will be eligible to receive shares based on the achievement of annual performance targets.

The Group recognised a charge of £2,986,000 (2020: £986,000) within administrative expenses related to share-based payment transactions arising under the long term incentive schemes.

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 16,852 shares were acquired in respect of prior years' bonuses (2020: nil).

The holders of 23,782 (2020: 23,782) shares acquired in 2017, including 17,030 (2020: 17,030) relating to the Company, were eligible for a further cash bonus equal to the value of the shares acquired if they remained with the Group for three years. This performance period was achieved in 2020 and bonuses were paid in 2021 and 2020.

The Group recognised a charge of £523,000 (2020: £416,000) within administrative expenses related to share-based payment transactions arising under the bonus schemes.

The Group recognised a charge of £3,545,000 (2020: £598,000) within administrative expenses related to all share-based payment transactions.

The Group's cumulative liability in respect of all share-based payment transactions is £9,293,000 (2020: £7,347,000).

13. INTANGIBLE FIXED ASSETS

	GROUP				COMPANY
	GOODWILL	BRANDS	SOFTWARE	TOTAL	SOFTWARE
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	144,280	7,126	30,872	182,278	485
Currency adjustments	(643)	-	(497)	(1,140)	-
New subsidiaries acquired (note 15C)	8,176	-	141	8,317	-
Adjustment to previous year's goodwill	27	-	-	27	-
Additions	-	-	4,148	4,148	9
Disposals	(3,837)	-	(891)	(4,728)	-
At 31 December 2021	**148,003**	**7,126**	**33,773**	**188,902**	**494**
Amortisation					
At 1 January 2021	101,639	4,633	22,931	129,203	261
Currency adjustments	(164)	-	(436)	(600)	-
Charge for the year	6,913	713	2,326	9,952	76
Impairment	-	-	324	324	-
Disposals	(3,496)	-	(746)	(4,242)	-
At 31 December 2021	**104,892**	**5,346**	**24,399**	**134,637**	**337**
Net book value					
At 31 December 2021	**43,111**	**1,780**	**9,374**	**54,265**	**157**
At 31 December 2020	42,641	2,493	7,941	53,075	224

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 (2020: £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 the business on 29 January 2018. The brand has an estimated remaining useful life of two years.

14. TANGIBLE FIXED ASSETS

GROUP	FREEHOLD PROPERTIES £'000	LONG TERM LEASEHOLD PROPERTIES £'000	SHORT TERM LEASEHOLD PROPERTIES £'000	MOTOR VEHICLES £'000	PLANT, MACHINERY, FIXTURES AND FITTINGS £'000	CABINETS, MATS AND SERVICE EQUIPMENT £'000	TOTAL £'000
Cost							
At 1 January 2021	808	2,703	71,850	2,674	76,412	3,196	157,643
Currency adjustments	(34)	(29)	(126)	(88)	(1,907)	(282)	(2,466)
New subsidiaries acquired (note 15C)	-	-	-	345	78	16	439
Additions	-	-	1,005	75	4,072	375	5,527
Disposals	(416)	-	(6,902)	(959)	(6,990)	(1)	(15,268)
At 31 December 2021	**358**	**2,674**	**65,827**	**2,047**	**71,665**	**3,304**	**145,875**
Depreciation							
At 1 January 2021	438	1,633	41,989	2,160	54,072	1,679	101,971
Currency adjustments	(15)	(25)	(96)	(66)	(1,538)	(157)	(1,897)
Charge for the year	4	82	4,874	251	6,813	544	12,568
Reversal of impairment	-	-	(1,632)	-	-	-	(1,632)
Disposals	(280)	-	(6,551)	(937)	(6,202)	(1)	(13,971)
At 31 December 2021	**147**	**1,690**	**38,584**	**1,408**	**53,145**	**2,065**	**97,039**
Net book value							
At 31 December 2021	**211**	**984**	**27,243**	**639**	**18,520**	**1,239**	**48,836**
At 31 December 2020	370	1,070	29,861	514	22,340	1,517	55,672
COMPANY							
Cost							
At 1 January 2021	450	2,237	2,150	-	526	-	5,363
Additions	-	-	54	-	-	-	54
Disposals	(416)	-	(2,148)	-	(450)	-	(3,014)
At 31 December 2021	**34**	**2,237**	**56**	**-**	**76**	**-**	**2,403**
Depreciation							
At 1 January 2021	275	1,261	2,065	-	526	-	4,127
Charge for the year	4	42	17	-	-	-	63
Disposals	(279)	-	(2,065)	-	(450)	-	(2,794)
At 31 December 2021	**-**	**1,303**	**17**	**-**	**76**	**-**	**1,396**
Net book value							
At 31 December 2021	**34**	**934**	**39**	**-**	**-**	**-**	**1,007**
At 31 December 2020	175	976	85	-	-	-	1,236

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 £464,000 (2020: £618,000). The net book value of the Group's fixed assets includes £5,000 (2020: £6,000) in respect of motor vehicles and £2,034,000 (2020: £3,169,000) in respect of plant and machinery held under finance leases and hire purchase contracts, which do not include any unusual arrangements.

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

Tangible fixed assets held under finance leases and hire purchase contracts with a carrying amount of £2,039,000 (2020: £3,175,000) have been pledged to secure bank liabilities of the Group.

15. FIXED ASSET INVESTMENTS

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Subsidiary undertakings	**-**	-	**45,149**	118,923
Joint ventures	**5,735**	5,315	**-**	39
Other investments	**721**	668	**721**	600
	6,456	5,983	**45,870**	119,562

(A) Joint ventures

GROUP	SHARE OF NET ASSETS AND LOANS £'000	GOODWILL £'000	TOTAL £'000
At 1 January 2021	5,069	246	5,315
Currency adjustments	(228)	-	(228)
Share of profit	1,901	(48)	1,853
Additions	176	-	176
Disposals	16	(16)	-
Dividends	(1,205)	-	(1,205)
Loans repaid	(176)	-	(176)
At 31 December 2021	**5,553**	**182**	**5,735**

The Group share of profit of £1,853,000 comprises share of operating profit of £2,322,000 less share of net interest payable of £47,000 less share of tax charge of £422,000.

15. FIXED ASSET INVESTMENTS (continued)

(B) Other investments

GROUP	LISTED £'000	UNLISTED £'000	TOTAL £'000
Fair value/cost			
At 1 January 2021	8	1,202	1,210
Revaluations	1	-	1
Additions	-	250	250
Disposals	-	(546)	(546)
At 31 December 2021	**9**	**906**	**915**
Provisions			
At 1 January 2021	-	542	542
Charge for the year	-	130	130
Disposals	-	(478)	(478)
At 31 December 2021	**-**	**194**	**194**
Net book value			
At 31 December 2021	**9**	**712**	**721**
At 31 December 2020	8	660	668

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 (2020: £3,000). Unlisted investments, including non-puttable ordinary shares of £nil (2020: £67,000), are held at cost less amortisation and provision for any impairment.

(C) Acquisitions

On 30 April 2021 the Group acquired 100% of the share capital of 1st Mechanical Limited and 1st Maintenance Limited. The following provisional values were attributed to the major categories of assets and liabilities acquired:

	BOOK VALUES £'000	ADJUSTMENTS £'000	FAIR VALUES £'000
Intangible fixed assets	141	-	141
Tangible fixed assets	567	(128)	439
Stock	51	-	51
Debtors	2,473	-	2,473
Cash at bank and in hand	1,349	-	1,349
Creditors: amounts falling due within one year	(1,526)	-	(1,526)
Net assets acquired	3,055	(128)	2,927
Goodwill			8,176
Total consideration			**11,103**
Discharged by:			
Cash paid in the year			10,589
Deferred cash consideration			514
			11,103

The net cash outflow in respect of the acquisition of £9,240,000 comprised cash consideration of £10,589,000 less cash at bank and in hand of £1,349,000 acquired. The useful life of goodwill for this acquisition is ten years.

In the year ended 31 December 2021, turnover of £11,269,000 and a profit after taxation of £266,000 are included in the consolidated profit and loss account in respect of 1st Mechanical Limited and 1st Maintenance Limited.

15. FIXED ASSET INVESTMENTS (continued)

(D) Investments held as fixed assets by the Company

COMPANY	SUBSIDIARY UNDERTAKINGS £'000	JOINT VENTURES £'000	OTHER INVESTMENTS LISTED £'000	OTHER INVESTMENTS UNLISTED £'000	TOTAL £'000
Cost/fair value					
At 1 January 2021	126,530	39	8	654	127,231
Additions - third party	-	-	-	250	250
Additions - Group	849	-	-	-	849
Revaluations	-	-	1	-	1
Disposals - Group	(61,930)	(39)	-	-	(61,969)
At 31 December 2021	**65,449**	**-**	**9**	**904**	**66,362**
Provisions					
At 1 January 2021	7,607	-	-	62	7,669
Charge for the year	-	-	-	130	130
Impairment	13,193	-	-	-	13,193
Disposals - Group	(500)	-	-	-	(500)
At 31 December 2021	**20,300**	**-**	**-**	**192**	**20,492**
Net book value					
At 31 December 2021	**45,149**	**-**	**9**	**712**	**45,870**
At 31 December 2020	118,923	39	8	592	119,562

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 (2020: £3,000). Unlisted investments are held at cost less amortisation and provision for any impairment.

On 6 May 2021 the Company sold its £61,430,000 investment in OCS Group UK Limited to OCS Group International Limited, generating an exceptional profit on sale of £44,355,000.

The Company recorded an exceptional impairment charge of £13,193,000 in the year relating to its investment in Landmark Limited. The key sources of estimation uncertainty in determining this impairment are consistent with those relating to the Landmark goodwill impairment review discussed in note 2.

16. LOANS OWED BY SUBSIDIARY UNDERTAKINGS

	COMPANY 2021 £'000	COMPANY 2020 (restated) £'000
Loans owed by subsidiary undertakings	**28,413**	20,338

Due to their long-term funding nature and therefore the intended use on a continuing basis in the Company's activities, loans owed by Landmark Limited and Landmark Space Limited are classified as fixed assets. These loans were included in debtors in 2020, comparatives have been restated. The loans are unsecured and interest is charged at 2.50% per annum.

17. STOCKS

	GROUP 2021 £'000	GROUP 2020 £'000
Raw materials and consumables	**19**	23
Finished goods and goods for resale	**2,810**	3,553
	2,829	3,576

18. DEBTORS

	GROUP		COMPANY	
	2021	2020	**2021**	2020 * (restated)
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**90,085**	91,336	**-**	-
Amounts recoverable on contracts	**378**	1,404	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**17,300**	4,015
Amounts owed by joint ventures	**55**	84	**45**	62
Other debtors	**6,302**	6,059	**714**	583
Taxation	**3,830**	3,708	**924**	924
Deferred tax (see note 21)	**340**	1,205	**-**	550
Prepayments and accrued income	**23,079**	12,592	**1,424**	642
Government grants	**-**	1,084	**-**	-
	124,069	117,472	**20,407**	6,776
Amounts falling due after more than one year:				
Deferred tax (see note 21)	**37,513**	28,606	**697**	954

* 2020 restated to reclassify £20,338,000 loans owed by subsidiary undertakings from debtors to fixed assets, see note 16.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**5,961**	13,056	**19,463**	2,893
Obligations under finance leases and hire purchase contracts (see note 20)	**551**	869	**-**	-
Trade creditors	**40,386**	43,118	**154**	691
Amounts owed to subsidiary undertakings	**-**	-	**1,293**	77,879
Amounts owed to joint ventures	**19**	78	**-**	30
Taxation	**1,796**	4,073	**-**	-
Other taxes and social security	**29,286**	44,291	**14,830**	31,010
Share-based payments (see note 12)	**5,321**	6,360	**5,321**	6,360
Other creditors	**20,878**	20,797	**188**	219
Accruals and deferred income	**102,077**	97,705	**4,470**	2,786
	206,275	230,347	**45,719**	121,868

Group and Company bank loans of £303,000 (2020: £3,292,000) are secured on certain assets of the Group.

Group and Company bank loans are stated net of unamortised issue costs of £768,000 (2020: £399,000) relating to the Group's main revolving credit facility which was undrawn at 31 December 2021 and 31 December 2020. The £70m facility is committed to 30 April 2024 with interest payable at a variable rate of SONIA 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.

Group accruals and deferred income includes £5,595,000 (2020: £2,613,000) relating to operating lease incentives which will be released to the profit and loss account over the terms of the leases.

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Obligations under finance leases and hire purchase contracts	**390**	609	**-**	-
Share-based payments (see note 12)	**3,972**	987	**3,972**	987
Accruals and deferred income	**33,080**	47,276	**-**	-
	37,442	48,872	**3,972**	987

Obligations under finance leases and hire purchase contracts are repayable as follows:				
Within one year	**551**	869	**-**	-
Between one and five years	**390**	609	**-**	-
	941	1,478	**-**	-

Accruals and deferred income relates to operating lease incentives which will be released to the profit and loss account over the terms of the leases.

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

21. DEFERRED TAX

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Depreciation in excess of capital allowances	**31,388**	21,822	**940**	645
Retirement benefit schemes	**(875)**	550	**(875)**	550
Tax losses	**697**	1,239	**-**	-
Other timing differences	**6,643**	6,200	**632**	309
	37,853	29,811	**697**	1,504

During 2022 the net reversal of deferred tax assets and liabilities is expected to decrease the Group corporation tax charge for the year by £340,000. This is due to the reversal of timing differences and utilisation of losses.

A deferred tax asset of £17,116,000 (2020: £12,441,000) 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 3 March 2021 a future increase to the 2023 UK corporation tax rate was announced, thereby increasing the UK deferred tax rate from 19% to 25% and increasing the Group's deferred tax asset by £6,802,000 (see note 9).

22. PROVISIONS FOR LIABILITIES

	GROUP				COMPANY		
	INSURANCE	OVERSEAS PENSION	PROPERTY	TOTAL	INSURANCE	PROPERTY	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	9,969	14,001	15,583	39,553	9,969	1,734	11,703
Currency adjustments	-	(1,345)	-	(1,345)	-	-	-
Utilised in the year	(1,918)	(1,602)	(6,934)	(10,454)	(1,918)	(835)	(2,753)
Unwinding of discount	-	222	156	378	-	-	-
Released unused	(2,208)	-	(3,947)	(6,155)	(2,208)	-	(2,208)
Charged to profit and loss account	3,164	1,870	845	5,879	3,164	-	3,164
At 31 December 2021	**9,007**	**13,146**	**5,703**	**27,856**	**9,007**	**899**	**9,906**

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

Overseas pension provisions relate to Thailand commitments which become payable based on length of service and 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.

23. 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 provided 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. On 25 February 2022 members of the OCS Group Pension Savings Scheme were transferred to alternative pension arrangements which continue to provide the same benefits. These changes are in line with the practice increasingly adopted by major UK companies and 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 £3,191,000 (2020: £4,383,000) were paid to The OCS Group Staff Pension and Assurance Scheme during the year. From January 2022 monthly lump sum contributions are payable as follows: £265,000 from January 2022 to March 2022; £250,000 from April 2022 to March 2023; £258,000 from April 2023 to March 2024; and £265,000 from April 2024 to December 2024. Under this recovery plan agreed with the scheme trustee in January 2022, the Group aims to eliminate the 1 April 2021 funding deficit over a period of three 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 2024. At 31 December 2021 this scheme had an accounting surplus of £11,634,000 (2020: deficit of £4,116,000) but the surplus cannot currently be recognised due to recoverability uncertainty as the Company does not currently have an unconditional right to a refund.

A lump sum contribution of £50,000 (2020: £50,000) was paid to The OCS Group Transfer of Undertakings Pension Scheme during the year. At 31 December 2021 this scheme had a surplus of £2,889,000 (2020: £1,097,000) and no further lump sum contributions are payable as agreed with the scheme trustee in January 2022.

The most recent full actuarial valuations of the Group's defined benefit pension schemes are as at 1 April 2021 by Capita Pension Solutions 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 2021 by Isio Services Limited. Scheme assets are stated at their market value at 31 December 2021 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.

	2021	2020
Assumptions		
Inflation - RPI	**3.20% p.a.**	2.85% p.a.
Inflation - CPI	**2.40% p.a.**	1.95% p.a.
Rate of increase in salaries	**2.40% p.a.**	2.85% p.a.
Rate of increase in pensions:		
- accrued before 1 April 1992	**3.00% p.a.**	2.65% p.a.
- accrued after 31 March 1992	**3.15% p.a.**	2.80% p.a.
Rate of discount for liabilities	**1.80% p.a.**	1.30% p.a.
Rate of increase in healthcare costs	**10.70% p.a.**	10.35% p.a.

The mortality assumption at 31 December 2021 is 100% of SAPS S3 Standard tables with CMI 2020 projections using a 1.25% long term improvements rate. This is consistent with the prior year except for the use of SAPS S2 Standard tables and CMI 2019 projections at 31 December 2020.

23. RETIREMENT BENEFIT SCHEMES (continued)

	2021 £'000	2020 £'000
Fair values of assets and present values of liabilities		
Equities	**64,063**	91,204
Bonds	**224,595**	166,457
Derivative instruments	**6,799**	6,355
Property	**2,353**	18,041
Cash	**3,382**	4,725
Fair value of pension scheme assets	**301,192**	286,782
Present value of pension scheme liabilities	**(286,669)**	(289,801)
Net surplus/(deficit) on pension schemes	**14,523**	(3,019)
Asset ceiling adjustment	**(11,634)**	-
Present value of healthcare scheme liabilities	**(718)**	(799)
Net surplus/(deficit) recognised	**2,171**	(3,818)
Related deferred tax (liability)/asset	**(875)**	550
Net retirement benefit assets/(liabilities)	**1,296**	(3,268)

The net surplus/(deficit) at 31 December 2021 includes a surplus of £2,889,000 (2020: £1,097,000) for The OCS Group Transfer of Undertakings Pension Scheme.

	2021 £'000	2020 £'000
Analysis of amounts (charged)/credited in the year		
Current service cost	**(69)**	(118)
Net interest income/(expense)	**28**	(121)
Past service cost	**-**	(82)
Recognised in the profit and loss account	**(41)**	(321)
Recognised in other comprehensive income	**2,654**	(257)
Total credit/(charge) relating to defined benefit schemes	**2,613**	(578)

£69,000 (2020: £115,000) of the current service cost is included within cost of sales and £nil (2020: £3,000) is included within administrative expenses. The 2020 past service cost relating to a Guaranteed Minimum Pension (GMP) equalisation charge is included in exceptional items.

	ASSETS £'000	LIABILITIES £'000	TOTAL £'000
Analysis of the movements in assets and liabilities			
At 1 January 2021	286,782	(290,600)	(3,818)
Current service cost	-	(69)	(69)
Interest income/(expense)	3,699	(3,727)	(28)
Actuarial gains/(losses)	15,313	(1,025)	14,288
Asset ceiling adjustment	(11,634)	-	(11,634)
Benefits paid	(7,931)	7,931	-
Employer contributions	3,323	109	3,432
Contributions from scheme members	6	(6)	-
At 31 December 2021	**289,558**	**(287,387)**	**2,171**

The actual return on pension scheme assets was a surplus of £19,012,000 (2020: £32,766,000).

24. 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:

	GROUP	
	2021	2020
Financial assets	**£'000**	£'000
Measured at fair value through profit or loss:		
- investments in listed equity instruments	**9**	8
Equity instruments measured at cost less impairment:		
- investments in unlisted equity instruments	**-**	67

The change in value of financial assets measured at fair value through profit or loss was a revaluation gain of £1,000 (2020: loss of £1,000).

25. CALLED UP SHARE CAPITAL AND RESERVES

	2021	2020
	£'000	£'000
(A) Called up share capital		
Allotted and fully paid		
5,400,000 (2020: 5,400,000) A ordinary and ordinary shares of 10p each	**540**	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.

(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 2021 £8,220,000 (2020: £8,315,000) has been deducted from shareholders' funds for the consideration paid for 496,980 (2020: 502,356) of the Company's shares held by the ESOP trust or which had not vested unconditionally in employees. At 31 December 2021 the ESOP trust held 334,082 (2020: 435,043) ordinary shares and there were 162,898 (2020: 67,313) ordinary shares which had not vested unconditionally in employees. The Company is owed £3,862,000 (2020: £3,862,000) 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.

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

	GROUP	
	2021	2020
	£'000	£'000
(A) Cash flows from operating activities		
Operating profit/(loss)	**2,068**	(43,929)
Depreciation of tangible fixed assets	**12,568**	16,526
(Reversal of impairment)/impairment of tangible fixed assets	**(1,632)**	10,692
Amortisation of intangible assets	**9,952**	12,523
Impairment of intangible fixed assets	**324**	16,712
Loss on sale of tangible and intangible fixed assets	**440**	84
Loss/(profit) on acquisitions and disposals of operations	**276**	(100)
Adjustments for retirement benefit schemes	**(66)**	54
Equity settled share-based payments	**141**	-
Decrease/(Increase) in stocks	**726**	(599)
(Increase)/decrease in debtors	**(9,083)**	31,505
(Decrease)/increase in creditors	**(24,473)**	35,451
(Decrease)/increase in provisions	**(10,574)**	15,486
Decrease in other liquid resources	**2,993**	-
Currency adjustments	**(256)**	51
Provision charged against investments	**130**	102
(Profit)/loss on revaluation of listed investments	**(1)**	1
UK corporation tax and overseas tax paid	**(9,618)**	(3,592)
Lump sum pension contributions	**(3,241)**	(4,433)
Net cash flows from operating activities	**(29,326)**	86,534

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) Cash flows from investing activities		
Sale of properties - exceptional item	**819**	3,568
Sale of other tangible fixed assets	**183**	910
Purchase of tangible fixed assets	**(4,377)**	(7,654)
Purchase of intangible fixed assets	**(4,148)**	(1,813)
Interest received	**242**	381
Dividends received from joint ventures	**1,205**	389
Sale of operations - exceptional item	**456**	(1,570)
Investment in joint ventures	**(176)**	(394)
Purchase of other investments	**(250)**	(250)
Purchase of subsidiary undertakings and businesses	**(11,730)**	(10,371)
Loans repaid from joint ventures	**176**	435
Sale of other investments	**-**	20
Cash at bank and in hand acquired	**1,349**	1,508
Net cash flows from investing activities	**(16,251)**	(14,841)

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

	GROUP	
	2021	2020
	£'000	£'000
(C) Cash flows from financing activities		
Dividends paid	**(67)**	(118)
Interest and other finance expenses paid	**(2,705)**	(2,016)
Repayment of bank loans	**(6,544)**	(8,000)
Repayment of obligations under finance leases and hire purchase contracts	**(893)**	(1,456)
New bank loans	**-**	1,028
Net cash flows from financing activities	**(10,209)**	(10,562)

27. ANALYSIS OF NET FUNDS

GROUP	AT 1 JANUARY 2021 £'000	CURRENCY TRANSLATION DIFFERENCES £'000	CASH FLOW £'000	OTHER NON-CASH CHANGES £'000	AT 31 DECEMBER 2021 £'000
Cash at bank and in hand (unrestricted)	93,644	(1,364)	(56,101)	-	**36,179**
Short term bank deposits (unrestricted)	5,086	(40)	315	-	**5,361**
Cash and cash equivalents	98,730	(1,404)	(55,786)	-	**41,540**
Bank loans	(13,056)	182	6,544	369	**(5,961)**
Obligations under finance leases and hire purchase contracts	(1,478)	108	893	(464)	**(941)**
Restricted cash	4	-	(4)	-	**-**
Restricted short term bank deposits	3,292	-	(2,989)	-	**303**
	87,492	(1,114)	(51,342)	(95)	**34,941**

Restricted short term bank deposits not available for use of £303,000 (2020: £3,292,000) relate to the Company and serve as security for bank loans.

28. CAPITAL COMMITMENTS

	GROUP	
	2021	2020
	£'000	£'000
Future capital expenditure		
Tangible fixed assets	**437**	130
Software	**942**	725
Contracted for but not provided	**1,379**	855

29. OPERATING LEASE COMMITMENTS

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

GROUP	**LAND AND BUILDINGS 2021 £'000**	**OTHER 2021 £'000**	LAND AND BUILDINGS 2020 £'000	OTHER 2020 £'000
Payments due:				
Within one year	**38,346**	**4,473**	49,788	4,469
Between one and five years	**153,033**	**5,463**	159,490	5,874
After five years	**78,825**	**46**	83,177	130
	270,204	**9,982**	292,455	10,473
COMPANY				
Payments due:				
Within one year	**357**	**-**	663	-
Between one and five years	**-**	**-**	358	-
After five years	**-**	**-**	1	-
	357	**-**	1,022	-

The minimum lease payments under non-cancellable operating leases mainly relate to property lease payments of £259,371,000 (2020: £283,383,000) payable by companies in the group headed by Landmark Limited, the Group's subsidiary undertakings that provide flexible serviced office space.

30. ADDITIONAL INFORMATION ON SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

The Group's subsidiary undertakings and joint ventures held at 31 December 2021 are listed below. Those companies that were directly owned by the Company at 31 December 2021 are indicated by *.

SUBSIDIARY UNDERTAKINGS	COUNTRY OF INCORPORATION	ACTIVITY	PROPORTION OF ORDINARY SHARES HELD %	REGISTERED OFFICE ADDRESS (KEY)
1st Maintenance Limited	New Zealand	Facilities services	100	5
1st Mechanical Limited	New Zealand	Facilities services	100	5
ACN 114 749 110 Pty Limited	Australia	Dormant	100	4
AHP Recycling Limited	Ireland	Dormant	100	17
Cannon Hygiene (Ireland) Limited	Ireland	Facilities services	100	17
Distribution and Wholesalers Limited	New Zealand	Facilities services	100	5
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	Dormant	100	4
Integrated Premises Services Pty Limited	Australia	Dormant	100	4
IPS Cleaning Australia Pty Limited	Australia	Facilities services	100	4
IPS Events Pty Limited	Australia	Dormant	100	4
IPS Project & Services (Australia) Pty Limited	Australia	Dormant	100	4
IPS Speciality Cleaning Pty Limited	Australia	Dormant	100	4
Landmark Business Centres (Bank) Limited	Great Britain	Dormant	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	Dormant	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	Dormant	100	1
LR Nederland B.V. *	Netherlands	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	Dormant	100	4
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

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

SUBSIDIARY UNDERTAKINGS	COUNTRY OF INCORPORATION	ACTIVITY	PROPORTION OF ORDINARY SHARES HELD %	REGISTERED OFFICE ADDRESS (KEY)
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
Office Cleaning Services Limited *	Great Britain	Dormant	100	1
One Complete Solution (M) Sdn. Bhd.	Malaysia	Facilities services	100	3
PCS Engineering Solutions Co. Limited	Thailand	Facilities services	99	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	Dormant	100	16
Sanitaire NZ Limited	New Zealand	Dormant	100	5
Sanitaire Pty Limited	Australia	Dormant	100	4
Supanarin Company Limited	Thailand	Facilities services	100	8
The New Century Cleaning Company Limited *	Great Britain	Dormant	100	1
The Space Aldgate Limited	Great Britain	Serviced offices	100	1
The Space Holborn Limited	Great Britain	Serviced offices	100	1
The Space Holdings London Limited	Great Britain	Serviced offices	100	1
The Space Liverpool Street Limited	Great Britain	Serviced offices	100	1
The Space Management London Limited	Great Britain	Serviced offices	100	1
The Space Mayfair Limited	Great Britain	Serviced offices	100	1
The Space Old Street Limited	Great Britain	Serviced offices	100	1
The Space Regent Street Limited	Great Britain	Serviced offices	100	1
The Space Shoreditch Limited	Great Britain	Serviced offices	100	1
Tilgate No. 2 Limited *	Great Britain	Dormant	100	1

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

JOINT VENTURES	COUNTRY OF INCORPORATION	ACTIVITY	PROPORTION OF ORDINARY SHARES HELD %	REGISTERED OFFICE ADDRESS (KEY)
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 LLC	UAE	Facilities services	49	13
Property Care Services Bangladesh (Private) Limited	Bangladesh	Facilities services	50	7
Property Care Services (Cambodia) Co., Limited	Cambodia	Facilities services	50	14

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2. Paul-Robeson-Strasse 37, 10439 Berlin, Germany
3. Level 21, Suite 21.01, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur
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, Prakhanong District, Bangkok 10260
9. A/502, Thane One Corporate Business Park, DIL complex, Majiwade, Thane West - 400610
10. 65 Chulia Street, #38-02/03 OCBC Center, Singapore, 049513
11. Jeddah, K5 Old Makkah Road, PO Box 1588, Postal 21441, Saudi Arabia
12. Office No. 45B, Al-Emadi Business Centre, C-Ring Road, Al-Hilal, Building 219, Zone 41, Doha, Qatar
13. PO Box 116426, Office 1105, Marina Plaza, Dubai Marina, Dubai, UAE
14. No 8B, Downtown Road No. 7, Sangkat Choam Chao, Khan Por Sen Chey, Phnom Penh, Cambodia
15. 302-303, Lee Yan Lian Building, Jalan Tun Perak, 50050 Kuala Lumpur, 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

31. CONTINGENT LIABILITIES

The Group has given guarantees in respect of bank facilities of certain subsidiary undertakings and joint ventures to a maximum of £20,685,000 (2020: £23,559,000) including guarantees given by the Company of £12,835,000 (2020: £15,384,000). 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 2021 the amount outstanding in respect of such facilities was £1,406,000 (2020: £1,601,000).

The Company has entered into unlimited multilateral cross company guarantees in connection with bank facilities of certain subsidiary undertakings. At 31 December 2021 the amount outstanding in respect of such facilities was £27,244,000 (2020: £34,781,000).

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 £749,000 (2020: £540,000).

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