Company Registration No. 03056469

OCS GROUP UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2019

OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

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OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R.J. Taylor
J. Darnton
I.T. Goodliffe

COMPANY SECRETARY

J.A. Lewis

REGISTERED OFFICE

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

BANKERS

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

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London

STRATEGIC REPORT

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Details of the results for the year are set out in the profit and loss account on page 20 The financial position at the year end is set out in the balance sheet on page 21.

The Company's strategic plan was set in 2018 to prioritise and re-focus sectors in the business and their related contract portfolios, alongside a re-sizing of overheads following the sale of non-core businesses in 2018.

The next phase for the Company following the exit of the turnaround programme is to grow and expand operations in line with strategic objectives. The Company exits 2019 with a strong contract portfolio, continuing improvement in the core operations, improved retention and financial bid disciplines and a lower overhead cost base.

Our priority sectors continue to underpin the focus of the business, with the development of new client propositions leading to large contracts wins in the business and industry and government sectors in the year. In late 2019, the government sector secured the largest ever contract win for the UK business, which commenced in April 2020.

Turnover in year was £432.0m (2018: £442.8m). As a percentage of turnover, gross profit of £42.9m (2018: £46.5m) was 9.9% (2018: 10.5%) reflecting the mix of contracts in the portfolio. Administrative expenses fell to £40.5m (2018: 45.0m) resulting in operating profit growth (before exceptional items) to £2.4m (2018: £1.4m).

The prior year investment in the future profitability of the business, which resulted in the sale of Cannon Hygiene, Asset Solutions and minor other portfolio changes in 2018, have led to residual exceptional restructuring and property costs in the year of £1.2m (2018: profit of £4.5m).

Operating profit after exceptional items was £1.2m (2018: £5.9m) and profit after taxation was £1.8m (2018: £3.4m).

The Company had year end cash balances of £25.6m (2018: £26.5m). The stringent management of cash, whilst meeting all obligations, continues to be a source of strength for the business as demonstrated by the Company's debtor days performance.

COVID-19 pandemic

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

The Company entered the pandemic period in a robust operational and financial position and EBITDA profit for the first quarter of 2020 was ahead of the same period in prior year. The Company's strengths in facilities management and strong heritage in cleaning, security and hygiene result in our services remaining in high demand in most of the markets we operate in. Where clients operate in sectors hardest hit by the pandemic, we have moved swiftly to restructure and flex our business model and we have drawn on government support where available and relevant. As a result of the Company's rapid response to the challenges of the pandemic, baseline financial projections to mid-2021 demonstrate that the Company will maintain strong levels of liquidity. Details of further scenario modelling are included in the accounts of the parent company O.C.S. Group Limited and these financial projections demonstrate that the Group will maintain strong levels of liquidity and remain within bank covenant requirements, even when stress tested against alternative downside scenarios.

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

The Company is primarily focused during this period on the safety and well-being of its employees, many of whom have continued to work on the front line and are performing critical and highly valued tasks in healthcare, government and other environments which are vital to our clients in continuing to operate their own businesses. The importance and value our clients place on our services has been strongly evident during the crisis and we expect this to be retained into the future, underpinning the confidence we have in the longer-term prospects of the Company.

To ensure the financial well-being of the Company in the face of a significant reduction in sales in some sectors, the Directors have made stringent plans to manage and avoid potential risks and have already taken swift and decisive action to ensure the continuation of the business and to safeguard the Company's future. Significant restructuring of the cost base is already in progress for some aspects of the Aviation business. The directly restructured parts of this business represented approximately 6% of the Company's revenue in 2019. The Directors will continue to flex the response, including actioning further restructuring if required, as the situation develops.

STRATEGIC REPORT (continued)

Fundamentally during the pandemic and its recovery, we will at all times ensure that the Company holds fast to its purpose and continues to conduct business in line with our values. We will use our valued expertise and leverage our trusted reputation with our customers and suppliers in the markets we operate in, prioritising delivery of essential services, whilst caring for and protecting the health and safety of our employees. The importance and purpose of the work we do in society is being highlighted as never before, particularly for cleaning and security services, which provide the foundation for our facilities management provision.

Whilst COVID-19 is likely to continue to affect our lives for some time to come, relaxation of the lockdown is now being observed across many of the sectors in which we operate. Once confidence has fully returned and society normalises, we expect, as a result of the increased recognition of the value of our services, to emerge as a strong sustainable business.

KEY PERFORMANCE INDICATORS

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

- EBITDA (operating profit before exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was £7.3m (2018: £6.2m)
- Debtor days (trade debtors as a percentage of annualised turnover) of 31.4 days (2018: 31.1 days).

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

FUTURE DEVELOPMENTS

The core OCS business has been further strengthened in 2019 through continued successful execution of the strategic plan. In the short term in 2020, the business will be focused on expansion and growth of the business, alongside driving a programme of significant investment in systems improvements and process enhancements to our operating model. Focus on the human resources agenda, investing in our people and promoting our values will continue, along with enhancement of our sector based value propositions to our customers to truly provide a service of "Partnership Made Personal".

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Financial risks

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

The Company has no material foreign exchange risk exposure.

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

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

STRATEGIC REPORT (continued)

STAKEHOLDER RELATIONSHIPS

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

The Company has some 19,000 employees. As a people business the Company is significant employer in the UK.

The Company has the scale and opportunity to make a significant and positive contribution to the communities in which it operates and the environment. The Board takes that commitment very seriously and wants to build a business that does things the right way and is a good member of society.

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

R.J. Taylor
Director
25 June 2020

OCS GROUP UK LIMITED

DIRECTORS' REPORT

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

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

CORPORATE GOVERNANCE

Following the introduction of The Companies (Miscellaneous Reporting) Regulations 2018 ("the Regulations"), the Company's Board ("the Board") has decided to adopt the Wates Corporate Governance Principles for Large Private Companies which is consistent with the approach taken by the Company's parent company, OCS Group Limited. Under the Regulations, for accounting periods commencing on or after 1 January 2019, it is necessary for large companies (as defined under the Regulations) to publish a statement of their corporate governance arrangements within their directors' report and on their website, including a statement as to whether they follow a formal code. In 2018 the Government invited the Financial Reporting Council to work with a variety of partners to develop a set of corporate governance principles for large private companies. This review was led by James Wates and his working group were asked to prepare principles to help those companies comply with the reporting requirements under the Regulations. The six principles are:

1. **Purpose and Leadership** – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.

2. **Board Composition** – Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

3. **Director Responsibilities** – The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

4. **Opportunity and Risk** – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.

5. **Remuneration** – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

6. **Stakeholder Relationships and Engagement** – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

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

Purpose and Leadership – Principle One

The OCS Group is a fifth-generation 120 year old family owned business, delivering vital facilities services including security, cleaning, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services.

The Company is a wholly owned subsidiary of OCS Group Limited and consequently has one sole shareholder. It operates within the UK providing facilities services within six different industry sectors ("the Sectors"), namely:

- Aviation and Gateways
- Destinations and Venues
- Business and Industry
- Specialist Services
- Government
- Healthcare and Education

DIRECTORS' REPORT (continued)

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

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

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

In the last few years, the facilities services sector in the UK has been badly impacted by corporate financial and reputational failures. The facilities services market is a low margin business where scale is essential to create value. There is often an inadequate supply of labour and this is likely to worsen with the impact of Brexit. On 19 February 2020 the UK government published a policy statement setting out the new points-based immigration system which will apply from 1 January 2021. This new system will introduce some significant changes which will have wide-ranging and long-term effects on various sectors in the UK. EU and non-EU migrant workers will be treated the same and all would-be migrants, who must speak English, will need a job offer that is from an approved sponsor at the required skill level and paid at not less than the required minimum salary level. Points are awarded for each of these elements and a migrant will need to obtain 70 points to obtain a tier two visa. At present, 16% of the Company's workforce originate from the EU and this new system could adversely impact the UK's supply of labour.

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

Shared Purpose and Values

In support of the Shared Purpose, the ELT revisited the core values of OCS in 2018 and engaged with colleagues throughout the OCS Group to obtain their understanding of the OCS values. As a result of this process, the OCS core values ("the Values") were simplified to:

- Care
- Safety
- Trustworthy
- Expert

The Values were launched at the beginning of 2019 and guide everything OCS does, and everything OCS doesn't do. The Company has embraced the Values as they represent OCS at its best. By living the Values, the Company focuses not just on what it does for our customers but how it is done, delivering great service that demonstrates care, safety, trust and expertise time after time. The Company celebrates those who place the Values at the heart of their day-to-day roles through internal recognition schemes such as the OCS Star Awards. The Company also uses external communication channels, inspiring not only colleagues across the globe, but customers too.

OCS is a people business and the Company employs some 19,000 employees. The workforce is employed under formal contracts of employment be they permanent, fixed-term or zero-hours. The Company also uses agency workers and temporary workers, but irrespective of the type of contractual arrangement, the health and safety of OCS people is the most important issue for the Company. The Company also supports training and development for all its workforce, and is expanding its e-learning platform, facilitating development opportunities through training, as well as delivering critical modules on health and safety, IT security and the OCS Code of Conduct.

DIRECTORS' REPORT (continued)

The Company also provides an externally facilitated whistleblowing service operated by Safecall which allows employees to report issues via a dedicated free phone number, email, or via Safecall's website. Employees 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 the Values, the Company looks to create a culture of openness, actively promoting the speak up scheme throughout the business via the OCS Code of Conduct, intranet site, workplace posters and other means. All reports are sent to the OCS Group Company Secretary and the Group HR Director, who ensure appropriate investigations are undertaken in a transparent manner.

Board Composition – Principle Two

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

Bob Taylor	Chief Executive Officer and Chairman since 2016
James Darnton	Finance Director
Ian Goodliffe	Health, Safety, Quality and Environment Director

The Company Secretary is Jacqueline Lewis, Legal and Commercial Director.

Bob Taylor

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

James Darnton

James Darnton has over 25 years' experience in financial leadership roles. He joined the Company as Finance Director in September 2018.

Ian Goodliffe

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

Board Effectiveness

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

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

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

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

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

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

DIRECTORS' REPORT (continued)

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

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

Bob Taylor	Chief Executive
James Darnton	Finance Director
Justine Vaughan	Operational HR Director
Ian Goodliffe	Health, Safety, Quality and Environment Director
Steve Caddell	Procurement Director
Jason King	IT Director
Jacqueline Lewis	Legal and Commercial Director
Jon Fowler	Managing Director of Business & Industry and Specialist Services
Andrew Mortimer	Managing Director of Aviation & Gateways and Destination & Venues
Sheila Newton	Managing Director of Government
Ian Nisbet	Managing Director of Healthcare & Education (appointed December 2019)
Aine Mulcahy	Managing Director of Ireland
Martin Logue	Managing Director of Middle East

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

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

Appointment and Reappointment of Directors

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

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

Board Performance Evaluation

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

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

Annual performance appraisals of the ExComm members are undertaken by the Chief Executive to whom they report, save for the Legal and Commercial Director (and Company Secretary of the Company) who reports to the Company Secretary of OCS Group Limited. This difference in reporting structure was specifically designed to introduce a degree of independence from the Company for the Legal and Commercial Director and providing a direct line of reporting from the Company to its parent.

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.

Director Responsibilities - Principle Three

Whilst not operating a formal committee structure, specific smaller groups report back to the Board in relation to the certain delegated powers.

Nomination and Succession

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

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

Remuneration

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

Audit and Risk

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

Executive Committee ("ExComm")

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

Conflicts of Interest

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

Relations with shareholder

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

Opportunity and Risk - Principle Four

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

DIRECTORS' REPORT (continued)

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

In 2019, the most significant risks identified were:

- ensuring an appropriate supply of labour to drive and sustain profitable growth and post-Brexit immigration policy, which may restrict immigration or labour supply in the UK
- successful implementation of core business projects, focused on systems and processes
- increasing frequency of attacks, threat of cyber-attack and information security.

COVID-19 pandemic

As part of the control environment to manage the Group through the COVID-19 pandemic and recovery phases, a dedicated Project Management Office ('PMO') has been established to co-ordinate the Group's response. The PMO connects directly with each territory on the execution of pandemic responses. The Company is prime in executing plans under a common framework. The role of the PMO is more fully described in the accounts of O.C.S. Group Limited and includes, but is not limited to, a review of the risks and opportunities arising from the pandemic.

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

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

- **financial resilience**: in the event of a failure to mitigate the impact of COVID-19 insufficient liquidity and risk of not fulfilling Group 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 sectors and the quality and consistency of communication across the whole workforce
- **customer impacts**: inability to engage with our customer base under appropriate commercial terms and the financial vulnerability of customers in particular sectors
- **revenue levels**: reduction in the short term, a more protracted recovery in some sectors and the impact of longer-term economic recession, offset to some degree by opportunities in sectors with sustained and increasing demand
- **cyber crime**: increased threat of cyber security breach or fraud
- **supply chain**: disruption to supply chain integrity.

The expected impact on the going concern position of the Company, once consideration of these risks has been taken into account, is described in the Going Concern section of this Directors' Report on pages 16 and 17**.**

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

- discretionary capital and operating expenditures have been postponed or cancelled
- government grant and tax deferral support schemes have been enacted where possible and appropriate
- long term incentive scheme vesting dates scheduled for H1 2020 have been delayed
- payments due under the 2019 short term incentive schemes have been delayed and the structure of the 2020 scheme has been reviewed with the Group Remuneration Committee to reflect changes in the Company's and Group's positions as a result of the pandemic
- all Directors have taken a voluntary, temporary pay reduction and annual salary increases have been cancelled, both these actions have been mirrored for much of the senior and middle management teams
- necessary downsizing restructuring is being undertaken in those sectors most badly affected
- increasing our already high level of focus on working capital management and bad debt control
- ensuring our control, governance and risk monitoring environments are maintained to a high standard, with complete integration to operational workstreams, including a cross reference to the pre-COVID-19 risk register to ensure all risks are addressed concurrently.

DIRECTORS' REPORT (continued)

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

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

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

The strength of our **customer relationships** has more than ever been evident. The Company has reacted swiftly to satisfy changing client requirements and preferences, flexing to meet additional demand and collaborating to determine the safest manner in which to carry out customer operational priorities. The strength of our customer relationships has also created new opportunities, including additional specialist deep cleaning. This additional revenue is helping to partially mitigate other shortfalls in demand.

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

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

The most material reductions in demand seen to date and areas identified as expected to have a longer period of recovery are typically sector-specific in aviation, retail and destination and venues. In contrast, healthcare and public sector revenues are remaining strong. As a result, we have taken action to downsize parts of our Aviation business.

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

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

The risk management methodology adopted by the Board has proved to be an effective framework for driving risk management effectively throughout the Company. The methodology is being driven by the Group Risk and Assurance Manager to ensure consistency of approach throughout the OCS Group.

DIRECTORS' REPORT (continued)

Scheme of Delegation and Bid Governance

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

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

Code of Conduct

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

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

Innovation

The Company recognises that innovation is central to its growth strategy and has already started exploiting the use of technology to meet customers' needs. Investment has been made in Centres of Excellence for the key services and Sectors in order to share best practice and innovative ideas across the OCS Group.

Remuneration - Principle Five

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

In the UK, OCS is the largest privately owned facilities management company employing some 19,000 employees who are predominately based at customer sites providing cleaning, security, catering and other services. As such, the success of the Company is dependent upon its colleagues. The Company has minimum wage obligations as well as pressure for a range of "living wage" levels, and the Company's ability to win and retain business is dependent upon the levels of wages that customers are prepared to pay. Wherever it can, with customer support, the Company pays above minimum wage and in its own offices it pays the living wage. The Company takes into account market practice when deciding middle and senior management remuneration, aspiring to be an employer of choice within the Sectors it operates. By treating people with respect and offering future career progression for those who seek this, the Company aims to retain employees and their skills and experience for longer, enabling the Company to achieve its strategy.

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

As explained under Principle One, the Company may face challenges over the coming years due to the impact of Brexit. To address this, the Company's HR team, led by the HR Director, is putting in strategies to mitigate the impact as far as is possible including examining how to make roles more attractive to potential employees in terms of pay, benefits and career progression.

The Gender Pay Gap Report for the Company for 2019 is published on the Company's website. The gender pay gap between male and female colleagues (7.86% mean, 3.35% median) is an improvement on the 2018 figures (10.01% mean, 7.80% median) and is significantly lower than the national gender pay gap of 17.3% as reported by the Office of National Statistics in October 2019 for all employees (part time and full time). The Company has undertaken detailed analysis of the data to understand its position, as shown in the report. The Company's reported gender pay gap includes the impact of the breadth of front-line employee roles it has in the UK business, and the relative proportion of male and female employees within these different roles.

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

Stakeholder Relationships and Engagement - Principle Six

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

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

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

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

Suppliers

The Company actively and regularly engages with suppliers and has open conversations about where they can help it develop. The Company believes in the value of true collaboration within the supply chain, considering it vital for success. As each of the Company's customers use part of our supply chain - whether by way of deployment of machines on-site, uniforms given to employees or materials used by cleaning operatives - the relationship with suppliers is key to the Company's ability to provide quality services to customers. The Company therefore needs a high performing, sustainable supply chain that operates to a consistent set of operating standards.

Suppliers in the UK are required to sign-up to, observe and follow the requirement of the Company's Supplier Charter. The Supplier Charter sets out the expectation that suppliers will adhere to the Values and follow various policies including those relating to ensuring health and safety, tackling modern slavery and bribery. As part of the Company's procurement process, suppliers are vetted to ensure that they comply with its health and safety policies and have the necessary levels of insurance. In addition, suppliers and their staff are expected to report issues in confidence if they have concerns. For example, it may be that the Supplier Charter is not being observed, that corners are being cut or that individuals are being asked to do something which contravenes law, breaches the OCS supplier contract, may negatively impact on the Company or, plainly and simply, doesn't feel right.

The Company also holds supplier conferences and workshops which assist in collaborative working, continual improvement and understanding. This process builds on strong preferred supplier contract arrangements built up over many years which foster effective relationships.

The Company recognises the importance of payment terms with suppliers and adheres to agreed terms, with reduced payment terms being agreed for smaller suppliers.

Customers

The Company works with approximately 1,500 customers to deliver essential and sustainable facilities management services, 24 hours a day. The Company is a strategic partner to customers across its Sectors and delivers the highest standard of facilities management solutions. From providing a first-class shopping experience at major retail and leisure establishments, to maintaining critical plant equipment at large hospitals to ensure the safety and welfare of patients and staff, the Company provides the essential services that keep businesses and societies running day in and day out. The Company tailors its services to meet the unique demands of each customer and to help them to achieve their corporate objectives. The Company's strategic partnership approach means it works as part of customers' teams to deliver high quality, sustainable and essential facilities service solutions. As part of the development of the new Values, relationships with customers are being developed so as to align with the OCS brand promise "Partnership Made Personal", encompassing the Values which enshrine the commitment to work in partnership with customers, helping them achieve their goals and improve the experience of their customers.

The Company also operates the nationally recognised Net Promoter Score ('NPS') system of measuring customer experience, which allows the Company to understand how it can improve the services for customers. During 2020, the Company's NPS score improved from 57.33 to 66.67. Putting this in context, only 10% of UK brands across all sectors have an NPS score in excess of 40.

DIRECTORS' REPORT (continued)

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

Funders

The Company does not face the same financial risks as other organisations in the facilities services sector due to its low levels of debt. However, financial institutions are generally concerned about the service sector and therefore it is important that the Company maintains good relationships with funders who are all supportive of the Company and its strategy.

Workforce

The success of the Company is dependent upon its colleagues and safety is paramount. The Company operates with the principle that every colleague deserves to go home each day safely. The Company is committed to visible leadership from the Board downwards, instilling safe behaviours and creating a strong safety culture which forms part of the Values. The Company provides colleagues with appropriate training and tools to enable them to do their job safely, adopts good practice in all work procedures, empowers colleagues to make the right decisions about their safety and others, and reports health and safety incidents promptly, including 'near misses'. The Company monitors, reviews and reports health and safety performance accurately, continually striving to improve health and safety procedures. The Company strives to protect third parties it works with and to minimise any adverse effect on the environment.

The wellbeing of our colleagues is important and there is an employee assistance programme available with a 24/7 helpline available to all colleagues, providing support and advice for a wide range of issues, helping to identify and resolve personal concerns that may affect job performance. The service is entirely confidential and helps retain a happier, healthier and more effective workforce. This is further enhanced with mental health awareness, with a number of colleagues being trained as Mental Health First Aiders within the business.

The diversity of the Company's workforce is considered to be a primary strategic strength. The Company offers equal opportunities to all employees 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. Employees 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.

The Company also engages with colleagues in many forms to understand their views. The engagement process begins with induction programmes for new employees followed by on the job training and compulsory e-learning modules. "Back to the Floor" days are undertaken by senior management and involve managers working alongside operational colleagues to better understand their roles. There are also regular Worker Engagement Visits (where a senior manager visits a site and talks to colleagues to establish if there are any health and safety, or other, concerns), toolbox talks, on the job chats and employee surveys are undertaken from time to time to understand engagement levels with the business.

Our colleagues are integral to delivering on the promises made to customers, and it is therefore vital that the Company recognises and rewards those colleagues who make an important contribution to the business and place the Values at the heart of what they do. The Company operates a scheme called "MyThanks" which gives colleagues across the business the opportunity to recognise the hard work of others in two ways. Firstly, a "MyThanks" Certificate of Appreciation can be given which is an easy and spontaneous way to say 'thank you' to people who have demonstrated the Values and who have performed in an exceptional way when carrying out their duties. Secondly, the monthly 'Star' award is given in the form of a voucher for occasions where an individual, or a team, has behaved exceptionally or has consistently gone that extra mile.

Shareholders

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

Business Conduct

As a fifth-generation 120-year-old family owned business, sound ethical principles are essential to the on-going success of the Company. These principles are enshrined into the Shared Purpose and translated into the various policies and training which is shared throughout the business. The OCS Code of Conduct guides colleagues in 'how' to go about their day to day business and gives them the support mechanism to report any concerns or wrongdoing anonymously via SafeCall.

DIRECTORS' REPORT (continued)

The Community and the Environment

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

A sustainable future for OCS, and our planet, is part of the Company's core business strategy. As such, the need to act and behave responsibly permeates every level of the Company's business operations. The Company's aim is to be "the facilities service provider most trusted to deliver a sustainable future by caring for our people, our customers and our planet". It does this through 'Partnerships Made Personal'.

The Company places huge importance on its cohesive corporate responsibility and environmental sustainability programme. The Company is committed to supporting the United Nations Sustainable Development Goals (SDGs) and using them to refine its sustainability approach. The Company focuses on SDGs that closely align with its corporate strategy and where its efforts can make the greatest impact. The Company believes that embedding sustainability will create value for its people, its customers and other stakeholders. The Company focuses on issues where it knows it can make an impact: driving people development, engaging in end to end customer experience, reducing environmental impact and committing to long term and sustainable partnerships.

The Company is proud to work closely with its customers to support various environmental initiatives and local charities. The Green Apple Awards were launched in 1994 to recognise businesses who demonstrate environmental best practice. The Company has helped its customers achieve a number of these awards over the years and most recently, the Cwmbran Centre in Wales picked up gold in Property Management and in Best Practice. This adds to the success of Baytree Shopping Centre in Brentwood, Essex, which won silver in International Best Practice for sustainability initiatives, including increasing recycling from 0.28% to 60% and reducing the use of cleaning chemicals working in partnership with OCS.

The Company applies particular focus to key priority issues – climate change and plastics pollution. Measuring and understanding the Company's carbon footprint raises awareness and understanding. This informs and enables different activities in its efforts to reduce carbon dioxide emissions which it measures in relation to its overall revenue. The Company also tries to continuously improve the efficient use of natural resources. To that extent, the Company has contracted with an energy company to provide electricity from 100% renewable energy.

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

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

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

The Company's Retail Destinations team partnered with Shelter to support people living on the streets in Manchester. Colleagues joined representatives from the charity in November to distribute 150 winter packs containing a hat, gloves, socks, toothpaste and a toothbrush to the homeless in the Manchester City Centre area.

In addition, colleagues at Birchwood Park have had an incredible year fundraising for charities. Working with the customer and the local community, the team have helped to raise £11,500 for Hand on Heart, which campaigns to raise awareness of cardiac arrest in the young and the need for defibrillators in schools, and the RSPCA.

In November, the Company ran its first Breakfast Briefing on Making Sustainable Changes. The event offered practical guidance for customers on waste management and recycling, the opportunity to discuss challenges and an update on local sustainability legislation from experts at Reconomy and The London Waste and Recycling Board.

GOING CONCERN

The Company entered 2020 structurally sound, with a diverse sector revenue base and in a position of financial strength. The Company reported a profit after tax in 2019 of £1.8m (2018: £3.4m), operating profit before exceptional items has increased to £2.4m (2018: £1.4m) and EBITDA has increased to £7.3m (2018: £6.2m). At 31 December 2019 the Company had cash balances of £25.6m (2018: £26.5m) and net current assets of £23.0m (2018: £22.1m). The speed of our reaction to the COVID-19 pandemic and our adaptation to date has meant we continue to hold our own as a stable business and believe the outlook for the Company is positive. The Company is a party to and a guarantor of the Group's £100m revolving credit facility which is fully committed to 30 April 2021 and £70m is committed to 30 April 2022. In addition, the Directors have obtained confirmation from the parent company that it will support the Company for the next twelve months from the date of signing these financial statements.

The impact of the pandemic has meant the business has had to temper its 2020 EBITDA growth objective, instead focusing on maintaining its current position. However our liquidity is forecast to remain very strong and we continue to project a net debt free position in our baseline forecast. To be able to conclude that it is appropriate to prepare the financial statements as a going concern, management have performed a detailed analysis of the expected impacts of the pandemic and Group management have carried out scenario modelling from the Group's baseline to stress test the robustness of the Group projections against the Group's funding capacity and banking covenants. In doing so, it has been necessary to make estimates and judgements that are critical to the outcome of these considerations and the baseline projections prepared at a subsidiary level have therefore been subject to considerable internal review and scrutiny at country, regional and Group Board level to assess reasonableness. This has included a consideration of all key contracts, as the extent of impact of the pandemic is variable by sector and geography.

Baseline projections

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

The position in Q2 2020 has followed the expected economic model and the Company's revenue is expected to be at its low point in this quarter, with varying levels of recovery throughout H2 2020 and into early 2021. Our revenue projection in the baseline model reflects sector and contract differences. The forecast shows Q2 2020 revenue 6% lower than the previous quarter, followed by quarterly growth so that Q1 2021 is some 8% ahead of Q1 2020, supported by known significant contract wins. The most significant adverse impact in the downturn period is forecast to be in our Aviation business which is expected to follow a more L shaped economic recovery pattern and will not return to pre COVID-19 levels within the forecast period.

Direct operating costs have been modelled in line with the revenue assumptions, appropriately flexed to reflect their alignment with activity levels and the benefit of government support measures. Where restructuring is considered necessary, this has been included in the forecast.

The level of overheads included in the base case is in line with identified and implemented cost saving measures such as reductions to discretionary spend and temporary salary reductions. The benefit of government support measures as applicable to overhead staff costs has also been reflected. Within the model period, overhead and capital restrictions are gradually lifted to enable the Company to leverage opportunities as they arise and to continue to enhance our technology solutions.

Reflective of the downturn, discretionary capital expenditure has been cancelled or delayed whilst retaining contract-specific spend levels in line with revenue expectations. Key programs have been suspended and kept at sustenance levels but not abandoned. Other cash flow impacts arising from decisions made directly as a result of the pandemic are discussed in the financial resilience section of the Company's risk assessment on page 10.

The baseline projections show the Company's gearing levels are zero throughout the period and the Group's baseline projections show substantial liquidity headroom and demonstrate compliance with banking covenants.

Scenario modelling

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

DIRECTORS' REPORT (continued)

Going concern conclusion

The Company provides essential support services to a wide variety of private and public sector organisations, with cleaning and security services in particular being a vital activity in these difficult times. Whilst forecasting is by its nature uncertain, the Company remains cash generative under the baseline scenario modelled and the Directors therefore have a reasonable expectation that the Company is in a position to meet its obligations as and when they fall due. Based on this forecast and the continued commitment and ability of the Company's parent company to provide financial support if needed, the Directors have concluded that the financial statements can be prepared on the going concern basis.

SUBSEQUENT EVENTS

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

DIVIDENDS

Dividends of £2.0m (2018: £10.0m) were paid during the year. No further dividends are scheduled for payment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR

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

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

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

R.J. Taylor
Director
25 June 2020

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 25.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 June 2020

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2019

	NOTE	2019 £'000	2018 £'000
TURNOVER	3	**432,050**	442,773
Cost of sales		**(389,196)**	(396,310)
GROSS PROFIT		**42,854**	46,463
Administrative expenses		**(40,476)**	(45,028)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**2,378**	1,435
Exceptional items	4	**(1,186)**	4,471
OPERATING PROFIT		**1,192**	5,906
Net finance income	5	**269**	39
PROFIT BEFORE TAXATION	6	**1,461**	5,945
Tax on profit	8	**328**	(2,497)
PROFIT AFTER TAXATION		**1,789**	3,448

All activities derive materially from continuing operations.

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

OCS GROUP UK LIMITED

BALANCE SHEET
31 December 2019

	NOTE	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	10	**4,990**	5,502
Tangible assets	11	**9,691**	10,129
Investments	12	**7**	136
		14,688	15,767
CURRENT ASSETS			
Stocks	13	**1,707**	1,455
Debtors: amounts falling due within one year	14	**57,632**	58,136
Debtors: amounts falling due after more than one year	14	**12,983**	12,420
Cash at bank and in hand		**25,597**	26,516
		97,919	98,527
Creditors: amounts falling due within one year	15	**(74,924)**	(76,407)
NET CURRENT ASSETS		**22,995**	22,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,683**	37,887
Creditors: amounts falling due after more than one year	16	**(308)**	(1,026)
Provisions for liabilities	18	**(2,042)**	(1,687)
NET ASSETS		**35,333**	35,174
CAPITAL AND RESERVES			
Called up share capital	20(A)	**2,000**	2,000
Profit and loss account	20(B)	**33,333**	33,174
SHAREHOLDERS' FUNDS		**35,333**	35,174

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

Signed on behalf of the Board of Directors

R.J. Taylor
Director

J. Darnton
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 31 December 2017	2,000	39,453	41,453
Profit for the financial year	-	3,448	3,448
Capital contribution	-	273	273
Dividends paid	-	(10,000)	(10,000)
At 31 December 2018	2,000	33,174	35,174
Profit for the financial year	-	1,789	1,789
Capital contribution (see note 9)	-	370	370
Dividends paid	-	(2,000)	(2,000)
At 31 December 2019	**2,000**	**33,333**	**35,333**

Capital contributions relate to the Company’s equity settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

1. ACCOUNTING POLICIES

OCS Group UK Limited is a company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. It is a private company limited by shares. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 and 3.

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

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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

Financial periods

The results presented are for the year ended 31 December 2019. The comparative amounts presented in these financial statements (including the related notes) are for the year ended 31 December 2018.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 2 to 18. Principal risks and the impact of the COVID-19 pandemic are summarised on pages 9 to 11.

The Company meets its day to day working capital requirements through working capital facilities and longer term bank debt which are managed by the Group's centralised treasury function. The Group's main bank facility of £100m is fully committed to 30 April 2021 and £70m is committed to 30 April 2022. In addition, the Directors have obtained confirmation from the parent company that it will support the Company for the next twelve months from the date of signing these financial statements.

The Company's forecast to 30 June 2021, more fully described in the Directors' Report on pages 16 and 17, shows that the Company will be able to operate within the level of its current facilities. The Company has long term facilities services contracts with a number of customers and suppliers across different industries and the Directors believe that the Company is well placed to manage its business risks successfully.

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

Intangible fixed assets - goodwill

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

Goodwill arising on acquisitions prior to 1 April 1998 has been written off against the profit and loss reserve. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Goodwill arising on acquisitions from 1 April 1998 is included on the balance sheet and amortised within administrative expenses in equal annual instalments over its expected useful economic life, up to a maximum of 20 years (maximum of ten years for goodwill arising on acquisitions from 1 April 2014). Provision is made for any impairment.

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets – other

Other intangible fixed assets are stated at cost, net of amortisation and any provision for impairment. The cost of software includes development costs where the technical, commercial and financial viability of individual projects are satisfactorily established. Amortisation is provided within administrative expenses to write down cost to estimated residual value by equal annual instalments over the period of estimated useful economic lives as follows:

Software	3 - 15 years

Tangible fixed assets

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

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

Financial instruments

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

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

Financial assets and liabilities

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

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

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

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

Investments

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

Stocks

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

1. ACCOUNTING POLICIES (continued)

Impairment of assets

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

Non-financial assets

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

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

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

Financial assets

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

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

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

Leases and hire purchase contracts

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

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

1. ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

Provisions for liabilities

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

Retirement benefit schemes

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

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

Share-based payments

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

Foreign exchange

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

Turnover

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

Exceptional items

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Key sources of estimation uncertainty

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

Deferred tax assets

The recoverability of the Company's deferred tax assets of £12,983,000 (2018: £12,420,000), which relate to timing differences, is dependent on sufficient future taxable profits. Based on the Company's latest forecasts the Directors' judgement is that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

3. TURNOVER

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

4. EXCEPTIONAL ITEMS

	2019	2018
	£'000	£'000
(Loss)/profit on sale of operations	**(1,069)**	6,420
Restructuring costs	**(117)**	(1,949)
	(1,186)	4,471

The loss on sale of operations includes £945,000 relating to the sale of Cannon Hygiene Limited on 1 January 2018. The prior year profit on sale of operations includes £6,094,000 relating to the sale of the Company's non-core Retail Asset Solutions business on 31 May 2018 and £405,000 relating to the sale of Cannon Hygiene Limited on 1 January 2018.

Restructuring costs have been classified as exceptional due to the scale and nature of the restructuring activities that were undertaken as part of the strategic review in 2018. These include in year severance costs of £117,000 (2018: £1,192,000) and other costs of £nil (2018: £757,000).

5. NET FINANCE INCOME

	2019	2018
	£'000	£'000
Interest payable under finance leases and hire purchase contracts	(54)	(86)
Interest receivable from ultimate parent company	734	663
Unwind of discount on amounts owed to ultimate parent company	-	(238)
Foreign exchange	(23)	(26)
Other finance expenses	(721)	(577)
	(64)	(264)
Investment income (note 12)	333	303
	269	39

6. PROFIT BEFORE TAXATION

	2019	2018
	£'000	£'000
Profit before taxation is after charging		
Depreciation of tangible fixed assets	2,790	2,633
Amortisation of goodwill	914	978
Amortisation of software	1,180	1,143
Rentals under operating leases:		
- hire of plant and machinery	1,504	1,552
- other operating leases	3,193	4,043
Auditor's remuneration:		
- audit of the Company's annual accounts	102	90
- tax compliance services	20	18
Share-based payments	370	277

EBITDA (operating profit before exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was the Company's primary Key Performance Indicator (KPI) profit measure in the year as it provides a close linkage to cash performance:

	2019	2018
	£'000	£'000
Operating profit before exceptional items	2,378	1,435
Depreciation of tangible fixed assets	2,790	2,633
Amortisation of goodwill	914	978
Amortisation of software	1,180	1,143
EBITDA	7,262	6,189

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019 £'000	2018 £'000
Directors' remuneration:		
Emoluments	**949**	789
Pension contributions	**28**	21
	977	810

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

At the year end two (2018: two) Directors were members of a Group defined contribution pension scheme.

Emoluments of the highest paid Director were £430,000 (2018: £442,000) and the Company paid defined contribution pension contributions of £nil (2018: £3,000) in respect of the highest paid Director.

	2019 No.	2018 No.
The average number of employees, some being employed on a part-time basis, was:		
Operations	**17,167**	17,243
Sales and administration	**571**	590
	17,738	17,833

	2019 £'000	2018 £'000
Staff costs, including Directors, incurred in respect of these employees were:		
Wages and salaries	**271,490**	282,342
Social security costs	**22,441**	22,632
Other pension costs	**5,779**	4,946
	299,710	309,920

Wages and salaries and social security costs include amounts arising under the Group's share-based payments schemes (see note 9).

8. TAX ON PROFIT

	2019 £'000	2018 £'000
Current tax		
Group relief	**104**	912
Adjustment to prior periods' tax provisions	**131**	-
	235	912
Deferred tax		
Origination and reversal of timing differences	**(274)**	(97)
Adjustment to prior periods' tax provisions	**(289)**	1,682
	(563)	1,585
Tax (credit)/charge on profit	**(328)**	2,497

Reconciliation of total tax (credit)/charge:

	2019 £'000	2018 £'000
Profit before tax	**1,461**	5,945
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	**278**	1,130
Factors affecting (credit)/charge for the year:		
- expenses not deductible for tax purposes	**170**	544
- deductions allowed for tax purposes	**(551)**	(665)
- income not taxable	**(63)**	(194)
- utilised tax losses	**(4)**	-
- adjustments in respect of prior periods	**(158)**	1,682
Total tax (credit)/ charge for the year	**(328)**	2,497

9. SHARE-BASED PAYMENTS

The Company participates in the Group's share option scheme, certain employees being granted options in respect of shares in O.C.S. Group Limited.

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

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

The Company recognised a charge of £370,000 (2018: £273,000) within administrative expenses related to share-based payment transactions arising under the share option scheme.

10. INTANGIBLE FIXED ASSETS

	GOODWILL £'000	SOFTWARE £'000	TOTAL £'000
Cost			
At 1 January 2019	11,571	16,667	28,238
Additions	-	1,582	1,582
Disposals	(1,911)	(38)	(1,949)
At 31 December 2019	**9,660**	**18,211**	**27,871**
Amortisation			
At 1 January 2019	9,712	13,024	22,736
Charge for the year	914	1,180	2,094
Disposals	(1,911)	(38)	(1,949)
At 31 December 2019	**8,715**	**14,166**	**22,881**
Net book value			
At 31 December 2019	**945**	**4,045**	**4,990**
At 31 December 2018	1,859	3,643	5,502

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

11. TANGIBLE FIXED ASSETS

GROUP	SHORT TERM LEASEHOLD PROPERTIES £'000	MOTOR VEHICLES £'000	PLANT, MACHINERY, FIXTURES AND FITTINGS £'000	CABINETS, MATS AND SERVICE EQUIPMENT £'000	TOTAL £'000
Cost					
At 1 January 2019	2,743	2,513	22,698	130	28,084
Reclassifications	389	-	(389)	-	-
Additions	530	89	1,867	-	2,486
Disposals	(28)	(370)	(998)	-	(1,396)
At 31 December 2019	**3,634**	**2,232**	**23,178**	**130**	**29,174**
Depreciation					
At 1 January 2019	1,321	2,320	14,184	130	17,955
Charge for the year	394	97	2,299	-	2,790
Disposals	(28)	(356)	(878)	-	(1,262)
At 31 December 2019	**1,687**	**2,061**	**15,605**	**130**	**19,483**
Net book value					
At 31 December 2019	**1,947**	**171**	**7,573**	**-**	**9,691**
At 31 December 2018	1,422	193	8,514	-	10,129

The net book value of fixed assets includes £1,842,000 (2018: £2,263,000) in respect of plant and machinery held under finance leases and hire purchase contracts, which do not include any unusual arrangements.

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

12. FIXED ASSET INVESTMENTS

	JOINT VENTURES	OTHER INVESTMENTS - UNLISTED	TOTAL
	£'000	£'000	£'000
Cost			
At 1 January 2019	136	478	614
Disposals	(129)	-	(129)
At 31 December 2019	**7**	**478**	**485**
Provisions			
At 1 January 2019 and 31 December 2019	-	478	478
Net book value			
At 31 December 2019	**7**	**-**	**7**
At 31 December 2018	136	-	136

The Company's former joint venture, Aviation & Airport Services Norway AS was disposed of during the year.

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

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

During the year the Company received dividends from investments in joint ventures of £333,000 (2018: £303,000).

13. STOCKS

	2019 £'000	2018 £'000
Finished goods and goods for resale	**1,707**	1,455

14. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	**34,553**	37,707
Amounts owed by ultimate parent company	**14,344**	11,584
Amounts owed by subsidiary undertakings	**426**	337
Amounts owed by joint ventures	**488**	11
Other debtors	**1,046**	1,498
Current tax debtor	**145**	144
Prepayments and accrued income	**6,630**	6,855
	57,632	58,136
Amounts falling due after more than one year:		
Deferred tax (see note 17)	**12,983**	12,420

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank loans	**6,694**	5,107
Obligations under finance leases and hire purchase contracts (see note 16)	**593**	720
Trade creditors	**21,795**	24,353
Amounts owed to subsidiary undertakings	**12**	121
Other taxes and social security	**4,815**	5,463
Other creditors	**3,447**	3,205
Accruals and deferred income	**37,568**	37,438
	74,924	76,407

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

	2019	2018
	£'000	£'000
Obligations under finance leases and hire purchase contracts	**308**	1,026

Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year	**593**	720
Between one and five years	**308**	1,026
	901	1,746

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

17. DEFERRED TAX

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

	31 December 2019	31 December 2018
	£'000	£'000
Depreciation in excess of capital allowances	**13,030**	12,543
Other timing differences	**(47)**	(123)
	12,983	12,420

During 2020 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge for the year by £nil.

A deferred tax asset of £1,973,000 (2018: £1,973,000) has not been recognised in respect of certain tax losses. This asset will be recovered if there are sufficient future taxable profits.

On 11 March 2020 the cancellation of the previously enacted future reduction to the UK corporation tax rate was announced. If this change had been in place at 31 December 2019 the UK deferred tax rate would have increased from 17% to 19% and the Company's deferred tax asset would have increased by £1,367,000.

18. PROVISIONS FOR LIABILITIES

	£'000
At 1 January 2019	1,687
Utilised in the year	(626)
Charged to profit and loss account	981
At 31 December 2019	**2,042**

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

19. RETIREMENT BENEFIT SCHEMES

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

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

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

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

The most recent full actuarial valuation of The OCS Group Transfer of Undertakings Pension Scheme is as at 1 April 2018 by Capita Employee Benefits Limited. The valuation undertaken by KPMG LLP for FRS 102 using the projected unit method indicated that the defined benefit scheme had a net surplus at 31 December 2019 of £1,106,000 (2018: £1,072,000).

20. CALLED UP SHARE CAPITAL AND RESERVES

	2019 £'000	2018 £'000
(A) Called up share capital		
Allotted and fully paid		
2,000,000 (2018: 2,000,000) ordinary shares of £1 each	**2,000**	2,000

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

(B) Reserves

The profit and loss account represents cumulative profit or loss, capital contributions and other adjustments net of dividends paid. Dividends paid during the year were £2,000,000 (2018: £10,000,000) representing £1 (2018: £5) per share.

21. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Future capital expenditure		
Tangible fixed assets	**277**	442
Software	**514**	-
	791	442

22. OPERATING LEASE COMMITMENTS

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

	LAND AND BUILDINGS 2019 £'000	OTHER 2019 £'000	LAND AND BUILDINGS 2018 £'000	OTHER 2018 £'000
Payments due:				
Within one year	**1,087**	**2,566**	909	3,486
Between one and five years	**2,524**	**3,326**	2,492	4,386
After five years	**387**	**283**	1,286	470
	3,998	**6,175**	4,687	8,342

23. CONTINGENT LIABILITIES

The Company has entered into unlimited multilateral cross company guarantees in respect of borrowings by certain Group companies. At 31 December 2019 the borrowings outstanding were £35,332,000 (2018: £33,836,000).

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

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

24. IMMEDIATE AND ULTIMATE PARENT COMPANY

At 31 December 2019 the ultimate controlling party and ultimate parent company, immediate parent company and parent company of the smallest and largest group for which group accounts are prepared, is O.C.S. Group Limited whose registered office address is the same as the Company. Copies of the financial statements of O.C.S. Group Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

25. SUBSEQUENT EVENTS

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