

Company Registration No. 03056469

OCS GROUP UK LIMITED

Report and Financial Statements

31 December 2018



OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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

OCS GROUP UK LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The financial position at the year end is set out in the balance sheet on page 11.

2018 was a further year of implementation of the transformation plan following a major strategic review of our business. The transformation plan is based on clear focused investment choices with strong sector prioritisation to drive sustainable profitable growth across the Company, determining where to build and invest and where to manage for profit or divest to generate cash. A component of the plan was a review of the Company's businesses and contract portfolio and, whilst the Board envisages further incremental changes, the primary components of implementation of the review are now complete and fully executed.

Reflecting the strategic review, the Company transferred its non-core Cannon Hygiene business into a separate subsidiary in the prior period, crystallising an exceptional profit on sale of £46,225,000. This subsidiary was subsequently sold on 1 January 2018 and in addition, on 31 May 2018, the Company sold its Retail Asset Solutions business. These disposals have crystallised further exceptional gains of £6,420,000 in the current year.

The investment in the future profitability of the business and the necessary restructuring following the business disposals have resulted in exceptional restructuring costs of £1,949,000 (2017: £2,235,000) that are recognised in the financial results for the year.

Turnover was £442,773,000 (2017: £360,373,000). As a percentage of turnover, gross profit was 10.5% (2017: 14.2%) and overheads (administrative expenses excluding amortisation of goodwill) were 9.9% (2017: 13.3%).

Operating profit after exceptional items was £5,906,000 (2017: £46,214,000).

The current year results are not directly comparable to the prior period because of the divestments in the current year and prior period and the short (nine month) comparative period. In addition, a number of legacy claims were settled in the year.

The Company's results continue to reflect strong improvement in the core operations of OCS and were in line with management expectations set for the year. The Board aspires to further develop the profitability of the core business in line with our transformation plan objectives, with the full year benefit of 2018 restructuring activities and further process improvements being seen in 2019.

Our priority sectors continue to underpin the focus of the business, with the development of new client propositions leading to notable large contracts wins in both the healthcare and government sectors in the year.

The Company had year end cash balances of £26,516,000 (2017: £17,099,000).

KEY PERFORMANCE INDICATORS

The Company's Key Performance Indicators (KPIs) have been inevitably financially focused in 2018 given the importance of the successful execution of the transformation plan. Some primary KPIs are:

- EBITA (operating profit before exceptional items and amortisation of goodwill) of £2,413,000 (2017: £3,094,000)
- Debtor days (trade debtors as a % of annualised turnover) of 31.1 days (2017: 30.5 days).

The Company's financial KPIs reflect performance in line with our transformation plan objectives.

FUTURE DEVELOPMENTS

The core OCS business has been further strengthened in 2018 through successful continued execution of the transformation plan. The Company conducted a significant strategy review in 2018 that further clarified "where to win" and "how to play". This has set the agenda for the next phase in the strategic development of the Company. In the short term in 2019 the business is focused on systems improvements and process enhancements, actions across the human resources agenda and the continued promotion of our sector based value propositions to our customers.

OCS GROUP UK LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has responsibility for the identification, evaluation, management and monitoring of the most significant risks that the Company faces. It refers to these risks as strategic risks, these are those risks that if they occur and are not effectively mitigated have the potential to impact the implementation of the strategic plan.

The Board undertakes a risk register review bi-annually, supplemented by ongoing “deep-dive” reviews on targeted, specific risks.

The Board also determines risk appetite, the system of internal control to manage risks and is responsible for regularly reviewing control effectiveness in managing risk. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has identified the following strategic factors as critical to the Company’s effective risk management:

- Inability to grow the contract portfolio
- correct contract portfolio management including robust bid protocols and operational disciplines to meet the revenue and profit targets in the strategic plan
- the impact of changes in labour legislation increasing costs
- insufficient supply of labour to drive and sustain profitable growth
- impact of Brexit negotiations, including impact on EU migration
- the increasing frequency of and threat of cyber attack and information security
- long term enhancement of core finance, HR and operations systems distracting from growth

The risk management methodology first introduced in 2017 has proved to be a very effective framework for driving risk management effectively throughout the Company. The methodology has been broadly adopted and has been an integral part of executing the Company’s transformation. The Company does not face the same risks as other organisations in the facilities services sector due to its positive cash position and lack of exposure to long term milestone related construction contracts.

Risk accountability is effectively devolved, with each strategic risk assigned to a member of the management team. The accountable individual 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.

Brexit is creating a macro economic environment of uncertainty. Risks have been assessed and mitigation plans developed. One of the primary risks distilled is that of escalating labour costs in the short to medium term - the business has contract control mechanisms in place to very carefully consider potential labour cost and general inflation increases and the response to them.

Financial risks

The Company’s treasury activities are managed by the Group’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. 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. This exposure was further reduced by the divestment of the Cannon Hygiene business. The procurement function actively monitors contractual price inflation and is the primary mechanism for supplier contract negotiation.

OCS GROUP UK LIMITED

STRATEGIC REPORT

EMPLOYEE INVOLVEMENT

OCS is proud of its employees, who day in day out are committed to providing great service for our customers. The OCS way and the values of “Care, Safety, Trustworthy and Expert” are reflected strongly by our employees.

The Company’s employees and their commitment to the OCS service standards and customers are a primary strength. The Board is strongly committed to consistently improving the work experience at OCS and the Group has commissioned a detailed piece of work in Q4 2018 to look in depth into the employment proposition and retention. This work is scheduled to deliver conclusions and initial benefits in 2019.

Decision making is devolved under clear schedules of delegated authorities (SODA) and decisions are made involving divisional management. The budget and workplans are developed initially by our client facing teams within each business unit. The 2019 budget process has strengthened contract portfolio reporting as a lead indicator.

Communication methods to employees vary according to need and location and include social media, in-house journals, newsletters, audio visual updates, bulletins and management briefings.

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 work of the OCS Foundation strongly complements these activities by looking at how various groups can effectively transition into the workplace, promoting making a positive difference to employment.

Leadership continues to be strongly focused on employee retention and on strengthening front line supervision at all levels. During the year the e-training platform continued to be expanded, facilitating development opportunities through training as well as delivering critical modules on IT security and Code of Conduct. The training can be delivered through all channels including mobile, maximising accessibility for employees.

HEALTH AND SAFETY INVOLVEMENT

The Company places great importance on the health and safety of its employees with overall policy endorsed by the Group Board. It is an absolute imperative that all employees can go home safe every day, this will never be compromised.

We operate to Group standards, adopting UK best practice and implementing this throughout the Company. This approach is supported by the Global Health and Safety Best Practice Group providing support and advice through a network of qualified advisors. There is a regular process of auditing to verify that required changes are implemented.

We maintain our standards of safety through a high level of colleague participation in active monitoring across all parts of the business. Extensive training is undertaken at all levels, starting at induction, with mandatory health and safety awareness and risk assessment training for managers. Worker engagement visits and regular conversations about safety are a key stimulus to keeping safety at the top of the agenda, helping to reinforce both the importance and the sharing of best practice.

To empower our leadership teams and colleagues at all levels, OCS has invested in upskilling our people in mental health awareness. Through the creation of 1,000 mental health champions and first aiders, OCS is looking to make a difference for our people and clients. Our mental health champions and first aiders will challenge stigma, having insight into their own mental health and common conditions in others. They understand how to help others in distress.

OCS GROUP UK LIMITED

STRATEGIC REPORT

THE COMMUNITY AND THE ENVIRONMENT

OCS aims to develop its business by being an active participant in the communities in which it operates. The Board believes we will grow our business and achieve commercial success by fully respecting our environment and the communities in which we operate. To achieve this, we encourage behaviour and initiatives that will protect and enhance the environment, whilst facilitating wider economic prosperity and quality of life for present and future generations.

The Company recognises that meeting environmental and sustainability responsibilities is an integral part of its business operations. Throughout the Company there is a commitment to provide the knowledge, skills and resources required to support an effective environmental policy within the Company's wider commercial objectives. Procedures and processes are implemented which endeavour to minimise potential damage to the environment, using products and work methods which minimise risk to employees and clients, as well as limit emissions and waste.

In 2018 OCS launched its statement of intent and plan of action to limit the impact of our operations on the environment, focusing on single-use plastic and our carbon footprint in the UK. From replacing plastic straws and sandwich bags with more sustainable options, to waste management training for our front-line colleagues, we are committed to reducing single-use plastic in our operations.

Our CSR programme is a very important component of doing business responsibly. CSR is one of the critical components of ensuring safe passage to future generations in line with the Common Shared Purpose agreed with shareholders.

Our CSR strategy focuses around two areas:

- social and economic disadvantage - support and delivery of programmes which develop the capacity and skills of socially and economically disadvantaged members of the communities in which we work
- environmental excellence

Our CSR activity, supported through the OCS Foundation, is around these themes. The Foundation's work complements, but is not a substitute for, the Company's CSR programme.

By way of an example, the OCS Foundation is proud to be a supporter of Bromley by Bow, an innovative community organisation in East London, working in one of the most deprived boroughs in the UK to support families, young people and adults of all ages to learn new skills, improve their health and wellbeing, find employment and develop the confidence to achieve their goals and transform their lives. The OCS Foundation partnered with Bromley By Bow Centre to support its Unleashing Healthy Communities research project which aimed to develop a deeper understanding of the diversity of the local community and the positive difference the Bromley by Bow Centre, and the local GP practice, can make to the health and wellbeing of the local community. The information gathered has been used to improve how Bromley by Bow Centre can work more closely with the community to reduce health inequalities, influence public policy and share their learnings with others.

The Company is a very significant employer and therefore 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

11 April 2019

OCS GROUP UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for year ending 31 December 2018.

The Strategic Report on pages 2 to 5 contains a fair review of the Company's business and a description of the principal risks and uncertainties facing the Company. Information ordinarily required to be included in the Directors' Report covering policies for people with disabilities, employee participation, use of financial instruments and an indication of likely future developments in the business has been referred to in the Strategic Report.

GOING CONCERN

The Company has reported a significant profit in the year after exceptional items and the fundamental restructuring plan to reduce costs and align the business to market sectors has returned the Company into profit on a pre-exceptional basis.

At 31 December 2018 the Company had cash balances of £26,516,000 (2017: £17,099,000) and net current assets of £22,120,000 (2017: £11,496,000). 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. Based on this support and balance sheet position, and considering future forecasts, the Directors have a reasonable expectation that the Company is in a position to meet its obligations as and when they fall due and have concluded that the financial statements of the Company can be prepared on the going concern basis.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

DIVIDENDS

Dividends of £10,000,000 were paid during the year (2017: £15,000,000).

DIRECTORS

The Directors who served throughout the year and up to date of this report, unless otherwise stated, were as follows:

R.J. Taylor	
J. Darnton	(Appointed 1 October 2018)
I.T. Goodliffe	(Appointed 5 June 2018)
D. Mansfield	(Resigned 1 October 2018)
P. Slator	(Resigned 12 April 2018)

The Company has provided qualifying third party indemnities for the benefit of the Directors in the period and up to the date of this report.

OCS GROUP UK LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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.

INDEPENDENT AUDITOR

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

11 April 2019

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 2018 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 23.

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.

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

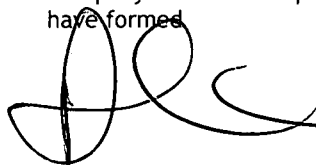
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
11 April 2019

OCS GROUP UK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
TURNOVER	3	442,773	360,373
Cost of sales		(396,310)	(309,225)
GROSS PROFIT		46,463	51,148
Administrative expenses		(45,028)	(48,787)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		1,435	2,361
Exceptional profit on sale of operations	5	6,420	46,088
Exceptional restructuring costs	5	(1,949)	(2,235)
OPERATING PROFIT		5,906	46,214
Net finance income/(expense)	4	39	(962)
PROFIT BEFORE TAXATION	5	5,945	45,252
Tax on profit	7	(2,497)	778
PROFIT FOR THE FINANCIAL YEAR/PERIOD		3,448	46,030

All activities derive materially from continuing operations.

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

OCS GROUP UK LIMITED

BALANCE SHEET 31 December 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Intangible assets	9	5,502	8,294
Tangible assets	10	10,129	9,076
Investments	11	136	14,374
		<u>15,767</u>	<u>31,744</u>
CURRENT ASSETS			
Stocks	12	1,455	1,499
Debtors			
- due within one year	13	58,136	87,684
- due after one year	13	12,420	13,994
Cash at bank and in hand		26,516	17,099
		<u>98,527</u>	<u>120,276</u>
Creditors: amounts falling due within one year	14	(76,407)	(108,780)
NET CURRENT ASSETS		<u>22,120</u>	<u>11,496</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,887</u>	<u>43,240</u>
Creditors: amounts falling due after more than one year	15	(1,026)	(1,787)
Provisions for liabilities	17	(1,687)	-
NET ASSETS		<u>35,174</u>	<u>41,453</u>
CAPITAL AND RESERVES			
Called up share capital	19(A)	2,000	2,000
Profit and loss account	19(B)	33,174	39,453
SHAREHOLDERS' FUNDS		<u>35,174</u>	<u>41,453</u>

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2019.

Signed on behalf of the Board of Directors



R.J. Taylor
Director



J. Darnton
Director

OCS GROUP UK LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2017	2,000	8,452	10,452
Profit for the financial period	-	46,030	46,030
Dividends paid	-	(15,000)	(15,000)
Capital contribution	-	(29)	(29)
At 31 December 2017	2,000	39,453	41,453
Profit for the financial year	-	3,448	3,448
Dividends paid	-	(10,000)	(10,000)
Capital contribution	-	273	273
At 31 December 2018	2,000	33,174	35,174

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

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 to 5.

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

The functional currency of OCS Group UK Limited is considered to be pounds sterling because that is 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

In 2017 the Company changed its accounting reference date from 31 March to 31 December in line with the change made by its parent company. The comparative amounts presented in these financial statements (including the related notes) are for a short period and are therefore not entirely comparable.

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.

The Company meets its day to day working capital requirements through bank overdrafts and longer term bank debt which are managed by the Group's centralised treasury function. The Company has reported a significant profit in the year after exceptional items and the fundamental restructuring plan to reduce costs and align the business to market sectors has returned the Company into profit on a pre-exceptional basis.

The Company's forecasts and projections to 30 April 2020 and beyond show that the Company should be able to operate within the level of its current facilities. The Company has long term 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.

Based on the confirmation of support received from the parent company and after making enquiries and applying reasonable 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.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets - goodwill (continued)

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

Intangible fixed assets - other

Other intangible fixed assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided within administrative expenses to write down cost to estimated residual value by equal annual instalments over the period of estimated useful economic lives as follows:

Software	3 - 15 years
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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 - 5 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Investments

Investments held as fixed assets are stated 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

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.

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.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customer 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.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

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.

Critical judgements in applying the Company's accounting policies

Deferred tax assets

The recoverability of the Company's deferred tax assets of £12,564,000 (2017: £14,004,000), 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.

Key sources of estimation uncertainty

The Directors do not consider there to be any key sources of estimation uncertainty.

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. NET FINANCE INCOME/(EXPENSE)

	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
Interest payable under finance leases and hire purchase contracts	(86)	(87)
Interest receivable from subsidiaries	-	150
Interest receivable from ultimate parent company	663	-
Unwind of discount on amounts owed to ultimate parent company	(238)	(714)
Foreign exchange	(26)	(30)
Other finance expenses	(577)	(474)
	<hr/>	<hr/>
	(264)	(1,155)
Investment income: income from fixed asset investments (note 11)	303	193
	<hr/>	<hr/>
	39	(962)
	<hr/>	<hr/>

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5. PROFIT BEFORE TAXATION

	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
Profit before taxation is after charging/(crediting):		
Depreciation of tangible fixed assets	2,633	3,727
Amortisation of goodwill	978	733
Amortisation of software	1,143	931
Rentals under operating leases:		
- hire of plant and machinery	1,552	1,296
- other operating leases	4,043	5,041
Auditor's remuneration:		
- audit of the Company's annual accounts	90	99
- tax compliance services	18	20
Share-based payments	277	(29)

The exceptional profit on sale of operations in the year of £6,420,000 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. The prior period exceptional profit on sale of £46,088,000 includes £46,225,000 relating to the transfer of the Company's Cannon Hygiene business into that subsidiary.

Restructuring costs of £1,949,000 (2017: £2,235,000) have been classified as exceptional due to the scale and nature of the restructuring activities being undertaken as part of the strategic review. These costs include severance costs of £1,192,000 (2017: £1,202,000) and other costs of £757,000 (2017: £1,033,000).

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
Directors' remuneration		
Emoluments	789	394
Pension contributions	21	7
	<u>810</u>	<u>401</u>

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

At the year end two (2017: one) Directors were members of a Group defined contribution pension scheme.

Emoluments of the highest paid Director were £442,000 (2017: £246,000) and the Company paid defined contribution pension contributions of £3,000 (2017: £7,000) in respect of the highest paid Director.

	Year ended 31 December 2018 No.	Nine months ended 31 December 2017 No.
The average number of employees, many of whom were employed on a part-time basis, was:		
Operations	20,728	23,795
Sales	41	99
Administration	549	599
	<u>21,318</u>	<u>24,493</u>

	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
Staff costs incurred in respect of these employees were:		
Wages and salaries	282,342	231,589
Social security costs	22,632	17,886
Other pension costs	4,946	3,299
	<u>309,920</u>	<u>252,774</u>

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7. TAX ON PROFIT

	Year ended 31 December 2018 £'000	Nine months ended 31 December 2017 £'000
Current tax		
Group relief		-
Adjustment to prior periods' tax provisions:		
- UK corporation tax		-
- group relief	912	74
- overseas tax	-	(2)
	<u>912</u>	<u>72</u>
Deferred tax		
Origination and reversal of timing differences	(97)	(785)
Change in tax rate	-	87
Adjustments to prior periods' tax provisions	1,682	(152)
	<u>1,585</u>	<u>(850)</u>
Tax charge/(credit) on profit	<u>2,497</u>	<u>(778)</u>
Reconciliation of total tax charge/(credit):		
Profit before tax	5,945	45,252
Tax on profit at standard UK corporation tax rate of 19% (2017: 19%)	1,130	8,598
Factors affecting charge/(credit) for the year/period:		
- expenses not deductible for tax purposes	544	427
- deductions allowed for tax purposes	(665)	(773)
- other non-taxable income	(194)	(9,037)
- change in deferred tax rate	-	87
- adjustments in respect of prior years	1,682	(80)
Total tax charge/(credit) for the year/period	<u>2,497</u>	<u>(778)</u>

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8. 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 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.

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2018	11,571	22,029	33,600
Additions	-	583	583
Disposals - third party	-	(3,698)	(6,125)
Disposals of businesses	-	(2,247)	(2,247)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	11,571	16,667	28,238
Amortisation			
At 1 January 2018	8,734	16,572	25,306
Charge for the period	978	1,143	2,121
Disposals - third party	-	(3,183)	(3,183)
Disposals of businesses	-	(1,508)	(1,508)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	9,712	13,024	22,736
Net book value			
At 31 December 2018	1,859	3,643	5,502
	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,837	5,457	8,294
	<hr/>	<hr/>	<hr/>

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

10. TANGIBLE FIXED ASSETS

	Short term leasehold property £'000	Motor vehicles £'000	Plant, machinery, fixtures and fittings £'000	Cabinets, mats and service equipment £'000	Total £'000
Cost					
At 1 January 2018	2,458	4,820	27,850	130	35,258
Additions	402	-	3,912	-	4,314
Disposals - third party	(117)	(2,307)	(7,422)	-	(9,846)
Disposals of businesses	-	-	(1,642)	-	(1,642)
At 31 December 2018	2,743	2,513	22,698	130	28,084
Accumulated depreciation					
At 1 January 2018	1,232	4,506	20,314	130	26,182
Charge for the year	191	113	2,329	-	2,633
Disposals - third party	(102)	(2,299)	(7,202)	-	(9,603)
Disposals of businesses	-	-	(1,257)	-	(1,257)
At 31 December 2018	1,321	2,320	14,184	130	17,955
Net book value					
At 31 December 2018	1,422	193	8,514	-	10,129
At 31 December 2017	1,226	314	7,536	-	9,076

The net book value of fixed assets includes £nil (2017: £12,000) in respect of motor vehicles and £2,263,000 (2017: £3,188,000) 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.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

11. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000	Joint ventures £'000	Other investments - unlisted £'000	Total £'000
Cost				
At 1 January 2018	14,238	136	478	14,852
Disposals	(14,238)	-	-	(14,238)
At 31 December 2018	-	136	478	614
Provisions				
At 1 January 2018 and 31 December 2018	-	-	478	478
Net book value				
At 31 December 2018	-	136	-	136
At 31 December 2017	14,238	136	-	14,374

As disclosed in note 5, the Company's former subsidiary undertaking, Cannon Hygiene Limited, was sold on 1 January 2018.

Details of the Company's joint ventures are as follows:

Joint ventures	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
Aviation & Airport Services Norway AS	Norway	Facilities services	Ramstadsletta 3, 1363 HØVIK, BÆRUM, Norway	50

During the year the Company received dividends from investments in joint ventures of £303,000 (2017: £193,000).

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

12. STOCKS

	2018 £'000	2017 £'000
Finished goods and goods for resale	1,455	1,499

13. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	37,707	40,118
Amounts owed by ultimate parent company	11,584	-
Amounts owed by subsidiary undertakings	337	39,290
Amounts owed by joint ventures	11	5
Other debtors	1,498	1,470
Current tax debtor	144	135
Deferred tax (see note 16)	-	10
Prepayments and accrued income	6,855	6,656
	<u>58,136</u>	<u>87,684</u>
Amounts falling due after more than one year:		
Deferred tax (see note 16)	12,420	13,994

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Bank loans	5,107	-
Obligations under finance leases and hire purchase contracts (see note 15)	720	1,079
Trade creditors	24,353	25,905
Amounts owed to ultimate parent company	-	42,009
Amounts owed to subsidiary undertakings	121	279
Other taxes and social security	5,463	5,475
Other creditors	3,205	1,271
Accruals and deferred income	37,438	32,762
	<u>76,407</u>	<u>108,780</u>

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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

	2018 £'000	2017 £'000
Obligations under finance leases and hire purchase contracts	<u>1,026</u>	<u>1,787</u>

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

	2018 £'000	2017 £'000
Within one year	720	1,079
Between one and five years	<u>1,026</u>	<u>1,787</u>
	<u>1,746</u>	<u>2,866</u>

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

16. DEFERRED TAX

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

	2018 £'000	2017 £'000
Depreciation in excess of capital allowances	12,542	13,102
Other timing differences	<u>(123)</u>	<u>902</u>
	<u>12,419</u>	<u>14,004</u>

The profit and loss account charge of £1,585,000 (2017: credit of £850,000) includes a charge of £nil (2017: £87,000) in respect of the reduction in the UK corporation tax rate.

During 2019 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge for the year by £nil. This is due to the reversal of timing differences.

A deferred tax asset of £1,973,000 (2017: £1,823,000) has not been recognised in respect of certain tax losses. This asset will be recovered if there are sufficient future taxable profits.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17. PROVISIONS FOR LIABILITIES

	£'000
At 1 January 2018	-
Charged to profit and loss account	1,687
	<hr/>
At 31 December 2018	1,687
	<hr/>

Provisions relate to onerous property obligations arising following the disposal of Cannon Hygiene Limited 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 profit on sale of operations.

18. 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 2018 of £1,072,000 (2017: net deficit of £246,000).

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

19. CALLED UP SHARE CAPITAL AND RESERVES

	2018 £'000	2017 £'000
(A) Called up share capital		
Allotted and fully paid		
2,000,000 (2017: 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 profits or losses, capital contributions and other adjustments net of dividends paid. Dividends paid during the year were £10,000,000 (2017: £15,000,000) representing £5 per share (2017: £7.50 per share).

20. CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
Future capital expenditure		
Contracted for but not provided	442	643

21. OPERATING LEASE COMMITMENTS

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

	Land and buildings 2018 £'000	Other 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Within one year	909	3,486	1,002	4,316
Between two and five years	2,492	4,386	2,654	11,519
After five years	1,286	470	1,881	540
	4,687	8,342	5,537	16,375

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

22. CONTINGENT LIABILITIES

The Company has entered into unlimited multilateral cross company guarantees in respect of borrowings by certain Group companies. At 31 December 2018 the borrowings outstanding were £33,836,000 (2017: £128,280,000).

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.

23. IMMEDIATE AND ULTIMATE PARENT COMPANY

At 31 December 2018 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.