Company Registration No. 03056469

OCS GROUP UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

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OCS GROUP UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

D.Dickson (appointed 10th August 2023)
T. Evans (appointed 10th August 2023)
L. Ryan (appointed 10th August 2023)
S.J. Harris (resigned 10th August 2023)
I.T. Goodliffe (resigned 10th August 2023)
R.J. Taylor (resigned 10th August 2023)

COMPANY SECRETARY

L. Ryan (appointed 10th August 2023)
S.P. Thorn-Davis (resigned 10th August 2023)

REGISTERED OFFICE

Second Floor
81 Gracechurch Street
London
EC3V 0AU

BANKERS

HSBC Bank plc, London
Barclays Bank, 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 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Despite the overall macro-economic environment, the Company delivered a strong performance in 2022, ahead of management's expectations going into the year.

On 30 November 2022 O.C.S. Group Limited ("OCS Group") sold the entire issued share capital of the Company's immediate parent company, OCS Group International Limited ("OCSGIL"), to OCS Group Investments Limited, an entity formed by Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice, LLC as CD&R Fund XI "CD&R").

During 2022 the Company has continued to leverage its expertise, heritage and values to provide clients with critical and essential cleaning, security and other services, and continued to evolve in order to meet the changing needs of our clients. As in 2021, we saw the ongoing demand for our essential services, particularly in our healthcare and government sectors. In other sectors such as retail, venues and aviation, the business continued to bounce back from any lingering impact of the COVID-19 pandemic. The Company successfully retained significant contracts across both private and public sectors whilst adding new contracts and expanding our services into new markets. We were pleased with the relatively low level of contract losses in year and the ongoing consistent positive feedback from our clients confirming our reputation for providing trusted and expert services.

As the impacts of the pandemic in business and society have lessened, the Company has demonstrated that the actions taken during the pandemic positioned the business well to take advantage of opportunities as they arise. We continue to be an agile and resilient business looking ahead with confidence. We have a clear purpose as an essential and critical service provider, with high levels of control and governance and we are proud to provide essential services into a broad range of businesses.

The Company has continued to invest in its systems with a further £1,942,000 of capital expenditure on software development in the year.

Under new ownership, the Company is well positioned for the future and will continue to adapt to changing markets and environments to make the most of the opportunities for growth in its priority sectors, continuing to provide consistent and reliable support for our clients and grow with them as the global economy recovers.

STRATEGIC REPORT (continued)

FINANCIAL REPORT

Details of the results for the year are set out in the profit and loss account on page 23. The financial position at the year-end is set out in the balance sheet on page 25.

In readiness for the change in ownership in the year referred to in the business review, the Company became the sole sponsoring employer of two UK defined benefit pension schemes described in note 19.

Turnover in year grew by 12.1% to £516.9m (2021: £461.0m) as a result of successful retention of key contracts alongside a return to increased bidding activity post Covid-19 across all sectors. As a percentage of turnover, gross profit of £59.8m (2021: £54.8m) was 11.6% (2021: 11.9%) reflecting the mix of contracts in the portfolio. Administrative expenses decreased to £37.4m (2021: £39.9m) and operating profit before exceptional items grew to £22.4m (2021: £14.9m). Operating profit after exceptional items was £22.1m (2021: £15.4m) and profit after taxation was £19.2m (2021: £19.6m).

The Company had year-end cash balances of £48.5m (2021: £53.7m), decreasing as a result of the payment of a £10m dividend in the year. The stringent management of cash, whilst meeting all obligations, continues to be a source of strength for the business.

REVIEW OF OPERATIONS

The UK business has gone from strength to strength, with a 36.2% growth in EBITDA from prior year (see note 6) as the challenging economic environment showed positive signs of recovery post the COVID-19 pandemic. Progression is linked to a combination of continued strong sector performance in Government and Healthcare, and further recovery for those sectors that were more heavily impacted ie. Aviation, Destinations and Venues. The business has remained resilient, with strong margin protection against a backdrop of market challenges on resourcing and inflationary pressures. This is a significant achievement in the circumstances and largely reflective of the Company's critical service sector presence and its successful retention or extension of key contracts.

A strong bidding and sales engine with appropriate financial bid disciplines supported retention and generation of new business, where available, resulting in overall net contract portfolio growth of the business over the year.. The Company's performance and service levels with clients during the preceding two Covid-19 years as evidenced by very high Net Promoter Scores ("NPS") in 2021 helped support the Company in its retention program. Whilst NPS scores have decreased slightly in 2022 from the scores achieved in 2021, they remain strong, reflecting the depth of client relationships. Resourcing pressures which emerged towards the end of 2021 and continued into 2022 have not caused service levels to drop and management expect the diversity of the Company's workforce to continue to be a strength. Cash management is a strength of the business with targets set being exceeded and strong debtor day performances. Inflationary pressures have been managed effectively across the business, supported by strong contracting disciplines and margin protection initiatives.

Overall, the Company performed extremely well during the year and is now set to continue to grow as new contracts come to market for the first time since the pandemic albeit with inflationary pressures to consider.

KEY PERFORMANCE INDICATORS

The Company's Key Performance Indicators (KPIs) remained financially focused in 2022 given the importance of demonstrating strong margin management and cash control. EBITDA was the Company's primary profit measure in the year as it provides a close linkage to trading cash performance:

- EBITDA (operating profit before exceptional items and before depreciation/amortisation and any impairment of tangible and intangible fixed assets) was £25.6m (2021: £18.8m) as detailed in note 6. Due to growth in turnover as described above and a total margin management program focussing on margin efficiency, gross profit has increased by £5.0m on prior year. Strong control around overheads has resulted in a decrease of £2.5m in this cost line which has also contributed to the growth in EBITDA.
- Debtor days (trade debtors as a percentage of annualised turnover) were 22.1 days (2021: 20.9 days) reflecting a well established order to cash program and a continued focus on cash collection, the 1.2 day increase has arisen due to the change in mix of customer accounts as commercial sites returned to pre Covid-19 levels.

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

Although the growth agenda was temporarily slowed in certain sectors by the pandemic in the last two years, the strategy defined in 2018 remains valid and was refined in the 2023 budget. Management teams have worked diligently to further increase market understanding and how each sector would be expected to develop. This has enabled informed choices about the services and sectors where the Company can win and further develop value propositions for current and future clients.

STRATEGIC REPORT (continued)

The Company entered 2023 under new ownership by CD&R and following the acquisition of Atalian Servest Holdings Limited as well as Atalian Asia Pte Ltd (Singapore) and OCS Holding (HK) Limited (Hong Kong) by OCS Group Investments Limited on 28th February 2023 it will form part of a group with increased scale in the market offering additional services and benefitting from synergies and efficiencies in its operating model.

The Company has the financial stability and strategic options available to accelerate and augment further value creation as required as the Company will have access to a Group revolving credit facility available for investment opportunities.

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 liquidity remains strong and it is therefore not exposed to significant interest rate risk.

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.

STAKEHOLDER RELATIONSHIPS

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

The Company has 16,000 employees and as a people business the Company is a significant employer in the UK.

The Company has the scale and opportunity to make a significant and positive contribution to the communities in which it operates and the environment. The Board takes that commitment very seriously.

The Company's Board has adopted the Wates Corporate Governance Principles for Large Private Companies as its corporate governance model, consistent with the approach taken by the Company's former parent company, O.C.S. Group Limited.

In adopting the Wates Principles, the Directors of the Company present how they have applied the six principles and how the Directors have had due regard to stakeholder engagement, as required under section 172 of the Companies Act 2006 within the Directors' report on pages 5 to 17.

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

T. Evans
Director

28 September 2023

OCS GROUP UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for year ending 31 December 2022.

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, research and development and an indication of likely future developments in the business has been referred to in the Strategic Report.

CORPORATE GOVERNANCE

The Company's Board ("the Board") has adopted the Wates Corporate Governance Principles for Large Private Companies as its corporate governance model.

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

Principle One - Purpose and Leadership

The Company delivers essential and critical facilities services including security, cleaning, passenger assistance, aviation support services, catering, front of house, support services, mechanical engineering and electrical services.

Until 30 November 2022 the Company was a wholly owned subsidiary of O.C.S. Group. On 30 November 2022 O.C.S. Group sold the entire issued share capital of the Company's immediate parent company, OCSGIL to OCS Group Investments Limited, an entity formed by Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice LLC as CD&R Fund XI) ("CD&R"). The sale followed an extensive consultation process between the Board of Directors of O.C.S. Group and its shareholders which resulted in the shareholders voting to accept an offer from CD&R to purchase O.C.S. Group's global facilities services business via the sale of OCSGIL. As new owners, CD&R have confirmed their wish to continue to build on the Company's strengths and grow the business both organically and via acquisitions.

The Company operates within the UK providing facilities services within six different industry sectors ("the Sectors"), namely:

- Aviation and Gateways
- Destinations and Venues (including retail and stadiums)
- Business and Industry
- Specialist Services
- Government
- Healthcare and Education

Core Values

The following OCS core values ("the Values") guide everything OCS does, and everything OCS does not do. The Company has embraced the Values as they represent OCS at its best:

- Care
- Safety
- Trustworthy
- Expert

By living the Values, the Company and its leadership team focus not just on what is done for clients 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 clients too.

OCS is a people business, and the Company employs some 16,000 employees. The workforce is employed under formal contracts of employment. The Company also uses agency workers and temporary workers, but irrespective of the type of contractual arrangement, our priority is safety and well-being. The Company also supports training and development for all its workforce, and has expanded its e-learning platform, facilitating development opportunities through training, as well as delivering critical modules on health & safety, IT security and the OCS Code of Conduct.

Our externally facilitated whistleblowing service operated by Safecall is fully embedded in all parts of the Company, which allows our colleagues to report issues via a dedicated free phone number, email, or via Safecall's website. Colleagues can report concerns relating to their working environment in a safe and secure way, including concerns about misconduct, wrongdoing, or unethical practices. In line with our values, we look to create a culture of openness and we actively promote the speak up scheme throughout the business via the Code of Conduct, intranet site, workplace posters and other means. All reports are sent to the Group General Counsel/Company Secretary and the Director of Business Services & Continuous Improvement with a copy to the UK HR Director, who ensure appropriate investigations are undertaken in a transparent manner. Until 30 November 2022 at each scheduled Audit & Risk Assurance Committee meeting of the OCS Group Board, a paper was presented to the Committee that included all cases reported in the OCS Group and the actions taken. Since that date, an alternative approach has been undertaken involving regular reviews of the cases, the status of investigations, and any emerging themes.

Principle Two - Board Composition

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

Daniel Dickson	Chief Executive Officer and Chairman (appointed 10th August 2023)
Tom Evans	Chief Financial Officer (appointed 10th August 2023)
Laura Ryan	Legal Counsel (appointed 10th August 2023)
Robert Taylor	Former Chief Executive Officer and Chairman since 2016 (resigned 10th August 2023)
Simon Harris	Former Chief Financial Officer (resigned 10th August 2023)
Ian Goodliffe	Health, Safety, Quality and Environment Director (resigned 10th August 2023)

The Company Secretary is Laura Ryan.

The Board composition changed to reflect the changes in operational leadership of the Company post Atalian UK businesses joining the Group in February 2023 and integration projects progressing.

Board Effectiveness

The Board is collectively responsible to its sole shareholder, OCS Group International 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 which 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:

(1) Health, Safety, Quality and Environment
(2) Finance, Commercial and Risk
(3) Technology, Business Efficiency and Procurement
(4) Human Resources
(5) 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 twice a year by the Board.

The Board considers that this schedule of planned and ad hoc meetings is appropriate and effective.

DIRECTORS' REPORT (continued)

The Chief Executive develops the Company strategy in line with the overall strategy agreed with the ultimate parent company and the Executive Committee ("the ExComm") have responsibility for implementing and delivering the Company strategy, together with responsibility for the day to day running of the Company. The ExComm meets every month and has conference calls between meetings if circumstances dictate. The ExComm as at 31 December 2022 comprised:

Bob Taylor	Chief Executive
Simon Harris	Chief Financial Officer
Tony Crilly	HR Director UK, Ireland & Middle East
Ian Goodliffe	Health, Safety, Quality and Environment Director
Steve Caddell	Procurement Director
Claire Stockman	Group Head of Applications
Scott Thorn-Davis	Company Secretary and Group General Counsel
Jon Fowler	Managing Director of Business & Industry and Specialist Services
Chris Morris	Managing Director of Destination & Venues
Sheila Newton	Managing Director of Government
Ian Nisbet	Managing Director of Healthcare & Education and Middle East
Aine Mulcahy	Managing Director of Aviation & Gateways and Ireland
Titus Dijkstra	Director of Programs and Change
Gavin Wainer	Strategic Sales Director

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

Under the terms of a Scheme of Delegated Authority many of the decisions of the Board are delegated to the ExComm.

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, OCSGIL. The Directors do not retire by rotation and may hold office for as long as the Board and OCSGIL deem 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 and Equal Opportunities Policies and is committed to promoting equal opportunities in employment and creating an inclusive working environment in which diversity is valued and celebrated. The Company recognises that diversity promotes innovation and business success as each employee brings unique capabilities, experiences and characteristics to the workforce, increasing creativity, flexibility and productivity. The Board does not set predetermined diversity targets for membership of the Board but looks to ensure there is an appropriate balance of expertise and diversity. The Company's attitude to diversity is reflected in the membership of the ExComm.

Board Performance Evaluation

The Board's performance is monitored by OCSGIL 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 to be appraised by the chairman of the Board of Directors of OCSGIL.

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 Company Secretary who reports to the board of directors of OCSGIL. This difference in reporting structure results from the Company Secretary having responsibility for legal matters for both the Company and for the wider OCSGIL group of companies.

Development

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

Principle Three - Director Responsibilities

Board accountability

The Board is collectively responsible to its shareholder for ensuring the long-term success of the Company, together with the overall strategy, management, direction and control. It is also responsible for monitoring the Company's performance and for ensuring that prudent and effective controls are in place to manage risk. The Board along with OCSGIL as its parent company sets the Company's values and standards to ensure its obligations to its various stakeholders are met.

The Chairman takes responsibility for leading the Board and ensuring that it functions effectively, promoting open debate and facilitating constructive discussion. The Chief Executive together with the board of OCSGIL, the Board and the ExComm, are responsible for the development of the Company's strategy. The Chief Executive has responsibility for delivery of the strategy together with all aspects of the operation and management of the Company.

The Board considers that the balance of relevant experience amongst the various Board members, should enable it to exercise effective leadership and control of the Company. Whilst not operating a formal committee structure, specific smaller groups report back to the Board in relation to certain delegated powers.

Nomination and Succession

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

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 ultimate 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 executives of high calibre and to reward them for enhancing the value of the business. A small group comprising the Chief Executive, the Finance Director, the HR Director and the Head of Reward, Pensions and Benefits meet to consider appropriate remuneration packages, guided by the Company policy. The parent company board approves the remuneration of the ExComm.

Audit and Risk Assurance

The Chief Financial Officer maintains the Company's risk register. The Board takes seriously its responsibility to put in place safeguards to ensure the independence, objectivity and effectiveness of external audit. OCSGIL has a 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.

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, OCSGIL. The Company Chief Executive provides monthly operating and financial reports to OCSGIL and to CD&R.

Principle Four - Opportunity and Risk

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

Risk identification

The Board and the ExComm regularly review the risks faced by the business. Formal risk register review meetings are held four times a year by the ExComm and twice 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 2022 the most significant risks identified were:

1. risk of failure to attract and retain sufficient appropriately skilled employees at a cost to drive and sustain the planned profitable growth of the business, including Brexit impact on the workforce.
2. risk of failure to grow contract portfolio at acceptable margins, including sufficient coverage of rising cost inflation, leading to non-delivery of the strategy
3. increasing frequency of terrorist attacks, threat of cyber-attack and information security breach
4. brand or reputational damage from non-compliance with client requirements in high-profile contracts, or high-risk environments

COVID-19

To manage the OCS Group through the COVID-19 pandemic and recovery phases, a dedicated Project Management Office ("PMO") had been established by O.C.S. Group to co-ordinate the pandemic response. Post 30 November 2022, as specific pandemic related risks had reduced considerably, it was no longer considered necessary to continue the PMO.

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.

OCSGIL and OCS Group Investments Limited entered into a Governance and Delegated Authority Deed on 30 November 2022 which established a governance regime between them but which also extends to the Company. This Deed includes inter alia provisions for the approval of bids, and customer and supplier contracts, capital expenditure, changes to remuneration practices and arrangements and changes to financing arrangements.

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.

OCSGIL continued to apply the OCS Group Code of Conduct for all its subsidiary companies (including the Company) both pre and post 30 November 2022.

Innovation

The Company recognises that innovation is central to its growth strategy and is continually looking at the use of technology to meet clients' needs. Investment has been made in Centres of Excellence for the key services and sectors in order to share best practice and innovative ideas across the OCS Group.

Principle Five - Remuneration

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

In the UK, OCS is one of the largest privately owned facilities management companies employing some 16,000 employees who are predominately based at client sites providing cleaning, security, catering and other services. As such, the success of the Company is dependent upon its colleagues. The Company has minimum wage obligations as well as pressure for a range of "living wage" levels, and the Company's ability to win and retain business is dependent upon the levels of wages that clients are prepared to pay. Wherever it can, with client support, the Company pays above minimum wage and in its own offices it pays the living wage. The Company takes into account market practice when deciding middle and senior management remuneration, aspiring to be an employer of choice within the Sectors it operates. By treating people with respect and offering future career progression for those who seek this, the Company aims to retain employees and their skills and experience for longer, enabling the Company to achieve its strategy.

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

Throughout the year our primary focus has been to continue the development of our People Proposition to ensure that we are competitively placed to attract labour that we already recognise is within a competitive market. Therefore, focussing on people investment through learning and development and apprenticeship programmes that offer our colleagues and future colleagues the opportunity of a career, has been very much a focus of our people strategy, coupled with introducing additional reward and recognition related schemes. Apprenticeships are available for new recruits and all internal OCS colleagues, whatever the age of the candidate, who meet the eligibility criteria. At OCS, we create new opportunities for those looking for work, as well as developing colleagues with bespoke apprenticeship pathway programmes that reflect our culture and our values.

We currently have some 200 of our colleagues on apprenticeship programmes at varying levels in the business. The candidates will graduate from a range of programmes across the diverse Sectors in our business, with qualifications spanning from level 2 operatives programmes, through level 3, 4, 5, Batchelor Degree and Master's Degree level programmes. In line with the Department for Education we focus on quality over quantity in terms of how we select, support and challenge our learners and partners in delivering an OCS Apprenticeship programme that provides enduring and sustainable people development opportunities.

The gender pay gap fluctuated in 2020 and 2021 largely driven by COVID-19 and furlough affecting the overall employee population. In 2022 the gender pay gap between male and female colleagues (7.28% mean, 4.12% median) is a slight increase on 2021 (6.5% mean, 4.6% median) but similar to the last full pre COVID-19 year in 2019. The Company has undertaken detailed analysis of the data to understand its position, as shown in the report. The Company's reported gender pay gap includes the impact of the breadth of front-line employee roles it has in the UK, and the relative proportion of male and female employees within these different roles.

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

Principle Six - Stakeholder Relationships and Engagement

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:

DIRECTORS' REPORT (continued)

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:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, clients and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- 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 OCSGIL Group's Core Values. As set out under the Core Values section above, it is the Values that will deliver the Company's desired future. The Values operate on sound ethical principles, recognising responsibilities for colleagues, the communities in which the Company operates and the environment.

Suppliers

We proactively work with our supply chain to understand how we can develop our services in order to reduce cost, increase productivity and maximise service outcomes. Importantly, we are working hard to limit the negative impact on our world through the depletion of natural resources and emission of greenhouse gases, while driving the positive impact on the communities we serve, the stakeholders we engage with and wider society in general. We believe in genuine and authentic collaboration with our supply chain and feel it is critical for our mutual success. Enabling this, we ask all partners in our supply chain to sign up to and observe our Supplier Charter, governing the way we work and behave and the outcomes we achieve. Our Charter sets out our clear expectations around working in line with our Core Values, including health & safety, modern slavery and anti-bribery. Furthermore, as part of our Procurement Process, suppliers are vetted to ensure that they have suitable policies, processes and systems in place to deliver maximum value to our clients and stakeholders and satisfy the requirements of our Charter.

Our Charter is supported by our procurement policy and processes, promoting ethical and sustainable procurement, social mobility and human rights. We believe in transparency and openness, and, as such, our policy, processes and Charter promote the ability for any individual working within our supply chain to report, in confidence, if they believe something is not right. This may be that the Supplier Charter is not being observed, corners are being cut or that individuals are being asked to do something which contravenes law, or quite simply, just does not feel right. We risk assess our entire supply chain at least twice per year, or more frequently should the market dictate, and use this analysis to allocate procurement resources.

Our work with our partner organisation, the Slave Free Alliance, is helping raise awareness of human rights, in particular modern slavery, and helping us assess, in detail, all suppliers classified as high risk, then supporting the building of development action plans. We work with our supply chain to understand how we can reduce the depletion of natural resources while simultaneously increasing the positive societal impact of our operations. We have baselined around 67% of our supply chain against an array of Environmental, Social and Governance metrics, based on those included in the Global Reporting Initiative and continue to build and roll-out co-development plans so that we collectively make a greater contribution to society.

Clients

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

Given the challenging business environment due to the pandemic during the last two years, we have had an unprecedented level of communication with our clients via socially distanced face to face meetings, video calls, emails and WhatsApp communications. As the pandemic hit each client, we have worked with them to understand their changing requirements. In some cases these have been a significant reduction in services, particularly in the aviation, hospitality and retail sectors, and in other cases an increase in services particularly in the healthcare and government sectors.

The Company operates the nationally recognised Net Promoter Score ('NPS') system of measuring client experience, which allows the Company to understand how it can improve the services for clients. 2022 produced a score of 72.55 slightly down from 80.39 in 2021. Putting this in context, only 10% of UK brands across all sectors have an NPS score in excess of 40. The slight reduction in scores in 2022 v 2021 is a reflection of OCS having gone "above and beyond" during the pandemic.

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

DIRECTORS' REPORT (continued)

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 and lack of exposure to long term milestone related construction contracts. However, it is important that we have good relationships with all our banks. O.C.S. Group, our former ultimate parent company, took a proactive approach in having a two-way dialogue with the OCS Group's banks to ensure that they were aware of our strategy and the development of our business. Throughout the year those banks were updated on the Group's trading position. The banks in turn were very supportive. Following the sale of OCSGIL, the revolving credit facility with HSBC and Barclays was terminated but an overdraft facility and performance bonds lines for OCSGIL and the Company were maintained with HSBC. The Company has access to these facilities when and if required.

Employees

The safety of our colleagues and that of others is paramount in everything we do. Strong, consistent and genuine leadership has guided our approach to health & safety ensuring a high level of focus and attention is maintained by our operational teams. The senior leadership team has delivered consistent messages about the importance of employee safety, to ensure that colleagues had the right training, knowledge and equipment to complete their duties safely. Regular briefing sessions were held throughout the year and these sessions provided a drumbeat of consistent messaging to our colleagues, clients, and other key stakeholders.

We maintain strong governance of health and safety across the business. Health & Safety Committees are in place to set objectives, oversee performance and to proactively manage our health and safety environment. This level of oversight provides assurance that we maintain legal compliance, that we meet client expectations and that we deliver our own high standards at all times. We maintain and implement robust HSQE Management Systems many of which are externally verified. The UK HSQE Management System is externally assessed by the British Standards Institution (BSI) as being compliant with the important ISO Standards of 9001 (Quality), 14001 (Environment) & 45001 (Health & Safety). As well as the on-going BSI assessment programme, other external audits included Achilles UVDB where we successfully scored 100% across all four categories of Health & Safety, Environment, Quality and CSR.

Visible and committed leadership is essential for effective health and safety management. Our overriding principle is that every colleague deserves to go home safe and well at the end of each day. HSQE Action Plans are in place across the Group and these plans are regularly reviewed by senior management to ensure that progress against objectives is measured and that any necessary action is taken. Our continual focus on safety ensures that colleagues are provided with the correct training and tools to enable them to do their job safely, adopting best practice in our work procedures and empowering colleagues to make the right decisions about their safety and that of others. Incident management procedures, including near miss reporting, ensure high levels of scrutiny and the framework necessary to drive to continual improvement. We launched a new incident reporting system EcoOnline which is a well renowned incident reporting software solution, designed to capture, manage and allow the investigation of incidents and accidents with minimal delay. This will transform and streamline reporting, allowing managers to easily engage with the system and provide vastly improved visibility of investigations within their areas of responsibility.

The wellbeing of our colleagues is important and we look for opportunities to engage and inspire colleagues to have healthier lifestyles. Our monthly wellbeing calendar provides a regular focus on health issues and a series of four webinars covering healthy eating were presented. We continue to provide support and advice to colleagues through our colleague assistance programmes with access to a 24/7 helpline which facilitates conversations to help identify and resolve personal concerns. The service is entirely confidential and helps us to retain a happier, healthier workforce.

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

Even though we know we are a diverse workforce, we also challenge ourselves on how we make our colleagues feel included, so that they can be themselves at work. On our internal training system, OCS Academy, we have Equality and Diversity training available for everyone. Our highly trained managers are taught how to interview without bias and support colleagues to raise issues and suggestions. Our programmes, like People into Work, support people from a huge variety of backgrounds who had potentially considered themselves removed from the workforce. These individuals strengthen our workforce, show us new ways of working and challenge preconceptions. In Q4 2022 we started implementing a new HRIS system that will give an accurate picture in terms of data, tracking age, gender, ethnicity and sexual orientation; but numbers do not tell the full story. We provide initiatives to celebrate our differences and demonstrate that no matter our background and skills we all have a part to play in making OCS a great place to work.

As part of our overall approach, we engage with our colleagues in many forms to understand their views. The engagement process begins with induction programmes for new employees, training, compulsory e-learning modules, "Back to the Floor" days by senior management, Toolbox Talks, on the job chats, employee surveys and many other forms. Our colleagues are integral to delivering on the promises we make to our clients. It is therefore vital that we recognise and reward those colleagues who make such an important contribution to our business and place our core values at the heart of their day-to-day activities.

The Company operates a scheme called "MyThanks" which gives colleagues across the business the opportunity to recognise the hard work of others in two ways. Firstly, a "MyThanks" Certificate of Appreciation can be given which is an easy and spontaneous way to say 'thank you' to people who have demonstrated the Values and who have performed in an exceptional way when carrying out their duties. We also have a scheme called OCS Stars, which honours the contributions of colleagues who live by our values of Care, Safety, Trustworthy and Expert. The scheme began in the UK in 2018 and since that time we have recognised over 3,500 OCS stars globally. Every month colleagues are nominated by their peers, clients or their line manager for going above and beyond

Shareholders

As stated early in this report, the Company has one sole shareholder, OCSGIL, which in turn is a wholly owned subsidiary of OCS Group Investments Limited. Ultimately, the Company is owned by funds advised by CD&R. Since 30 November 2022, the Company has regularly engaged with representatives of CD&R via regular executive leadership team meetings.

Business Conduct

Sound ethical principles are essential to the on-going success of the Group. These principles are enshrined in our Core Values and in the various policies the business operates under. The OCS Group Code of Conduct is designed to help guide colleagues in how we go about our business day to day and give them the support mechanism to report any concerns or wrongdoing anonymously, via our third-party whistleblowing provider. The policies we have in place and the e-learning platforms enable our colleagues to understand our sound ethical principles. The monitoring and review of the effectiveness of the Company's internal controls and risk management systems by the Board is part of the overall oversight of ensuring that high standards of business conduct are operated throughout the Company and ensuring compliance with section 172 of the Companies Act 2006.

The Community and the Environment

The Community

We place huge importance on our cohesive corporate responsibility and environmental sustainability programme. This enables us to work with a range of stakeholders including our shareholder, clients, suppliers, and colleagues. We believe that the work we do should be sustainable, not just in financial terms, but also in the way we impact upon people, communities and the environment. Therefore, we not only design services that help our clients improve their own environmental impact, but we also work with and invest directly in community and environmental initiatives.

As an example, Our People into Work is a program aimed at bringing meaningful employment opportunities to local people with anticipated outcomes of improved health and well-being and economic gain. From our initial pilot in 2019, we have developed a model of good practice and a holistic, person-centred approach. The program engages with people furthest removed from the workplace, for example, who may be entering the workplace for the first time, returning to work after illness, or who do not have the necessary writing, reading or language skills to find suitable employment. We work with voluntary and community-based organisations to deliver this programme, using their knowledge and expertise through a truly partnership centred approach. The government has strong targets to support more than one million disabled individuals into work by 2027 and our OCS People into Work program is facilitating that goal. Our partner organisations help us understand the barriers disabled people face and how we can better support individuals with their disability or health conditions. Once through the door the journey does not stop there; our managers are trained and given the skills to support people to overcome challenges and re-enforce an inclusive working environment to ensure retention and a positive career at OCS.

The Environment

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

Directors' sustainability statement

Our commitment to a sustainable future

With our business roots being formed from a family-owned business with over 120 years heritage, we have always been very mindful of the impact of our operations on the local communities, and our responsibilities as a large organisation on the environment.

Since 2014 we have captured and recorded our carbon emissions, each year improving the quality and accuracy of the data and including more and more elements of our operations, which has culminated in us being able to now report on our full scope 1, 2 and mandatory 3 emissions in 2022. Over the past eight years, we have seen year on year reductions in our carbon emissions, resulting in a 79.7% decrease overall carbon intensity since we started recording, with our data being externally verified by Achilles since 2020.

In 2020 we started on our net zero journey, with the help of independent environmental consultants Eunomia. Working with Eunomia has enabled us to accelerate progress along our net zero journey and over the past 12 months with their help, we have developed our decarbonisation pathway to achieve net zero by 2040, a commitment that was made and published in our Group Sustainability Strategy document on the 12th Oct 2021, a commitment ten years ahead of the UK Government.

Our decarbonisation plan which is aligned to the Science Based Targets initiative (SBTi), to reduce global warming to 1.5 degrees emissions in line with the Paris Agreement, sets out our near- and long-term Science based targets, and key milestones to achieve them along the way to 2040.

Following this extensive work with Eunomia, in May 2022, the UK Board and leadership team agreed a set of near- and long-term Science Based Targets that were submitted to the SBTi during Q1 of 2023 (not yet verified). The submission of the targets to the SBTi was originally planned to be a multiple submission alongside three others OCS country operations, Ireland, New Zealand, and Australia. A pause on a collective submission was put in place until the sale of OCS International and Atalian to CD&R was completed.

The near- and long-term targets from a 2020 baseline:

- Commitment to procuring at least 80% renewable energy by 2025 and 100% by 2030
- Commitment to reducing 56% of scope 3 emissions by 2030
- Commitment to reduce our scope 1,2, and 3 emissions across our value chain to reach net zero by 2040

During H2 of 2022 and following the sign off of the net targets, we have been hard at work preparing our business sectors to produce localised plans to achieve our key milestones, around four key focus areas in particular, procurement, company estate, company fleet vehicles and employee transport.

Through the publication of 'Our Pathway to Net Zero', we have provided our management teams with the guidance around the key aspects of our net zero pathway and milestones, and a discussion tool to have informed conversations with our customers, supply chain partners, and other stakeholders, who are critical to us achieving our 2040 target.

Having a robust decarbonisation plan and a very clear set of targets with which to navigate to, has enabled us to focus on the areas that will make the biggest difference, at the same time being pragmatic about how fast we go, not losing site of the need to be financially sustainable.

Steps taken along our pathway to net zero

We continue to take big steps forward in our aim to move all our commercial fleet vehicles to electric by 2034 and company cars by 2028. In 2022 we saw our electric vehicle numbers more than double and an increase in colleagues taking up the opportunity to purchase electric vehicles through our salary sacrifice scheme, despite the challenges around the lack of appropriate vehicles available and 9-15-month delivery times. We have recently updated the salary sacrifice scheme and removed diesel vehicles from the list, all orders now being Electric or Hybrid. During 2023 we expect to see the transition to electric to continue to grow exponentially, with each sector developing their own vehicle carbon reduction plan and all bids to include EV alternatives.

On the back of agreements with our Tier 1&2 suppliers (60% of our suppliers) to work together on joint ESG development plans, at the end of 2021 our Procurement team set out 60+ initiatives across our supply chain to achieve net zero by 2040. These initiatives include changes to our waste management strategy, which saw 1.756m kg of Co2 saved in 2022, reducing the consumption of meat products, which saw 10% of all meat spend move to plant based alternatives, and buildings across our estate adopting energy saving initiatives, reducing their carbon impact by 32% since 2020.

We also continue to work closely with our SMEs to use innovation to identify ways that we can support our customers with their own net zero ambitions, such as the purchase of a manufactured cleaning product that lowers carbon emissions by 71%, water consumption by 59%, compared to standard cleaning chemicals, and is zero waste to landfill.

The largest single use site of water and energy within our business, is our aviation laundry facility at Central Way near Heathrow. We know this site will be a key challenge to achieve net zero by 2040. So, in 2022 we invested in a fine filtration system for industrial laundries, that enables water used in the cleaning process to be reused, reducing the use of fresh water by up to 60% and reducing the amount of energy used. Although Central Way saw an increase in production to almost pre-pandemic levels, water consumption per tonne of laundry was down by 25% on 2021, thanks to modified wash programmes and the introduction of the filtration system.

Our strong approach to our net zero commitment and global sustainability has not gone unnoticed, with OCS UK being awarded an Ecovadis Silver Medal for Sustainability in 2022, placing OCS in the top 25% of organisations assessed by Ecovadis, who evaluate more than 90,000 organisations in over 160 countries every year.

Under our new ownership, 2023 looks set to be another exciting year on our path to net zero, with sector carbon reduction plans being agreed and implemented, the role out of a carbon impact calculation tool for our Contract Managers to use to reduce our emissions in customer sites where we operate and working closely with our suppliers to reduce our overall supply chain emissions.

Business risks of climate change

Governance

The OCS UK Board and ExComm undertake two formal risk register reviews per year, which includes climate risks and opportunities. Risk accountability is effectively devolved in OCS, with each strategic risk assigned to a member of the ExComm to manage. Any changes to identified risks are communicated and updated on the Risk Register. A Sustainability Steering Group oversees climate-related projects to deliver OCS's commitment to net zero and ensuring we are aligned to legislation. The Steering Group meets bi-monthly to discuss and decide on appropriate action to reduce our emissions, achieve our targets, share global best practice.

Strategy

Our sustainability strategy published in October 2021, is fully embedded into our core business strategy and climate-related risks and opportunities are discussed at Board and ExComm level. Although the impact of climate change does not pose a high risk to OCS in the short to medium term, the Board and ExComm have identified increased risk to our supply chain, due to more frequent extreme weather events caused by climate change, which could impact the business long term through reduction in food supply and food cost inflation. Tackling climate change is becoming more important to our customers and a bid requirement for potential customers when determining who to partner with, especially noticeable in Government contracts where the weighting of climate related requirements have become increasingly more significant. OCS relies on attracting, recruiting, and retaining employees to deliver our services to our customers. The impact of manmade climate-change and how companies are tacking it within their organisation, is becoming one of the deciding factors for employees when deciding who to work for. This is likely to be an increased risk over the medium to long term. As an ethical business, we know that we need to act now in reducing our emissions and mitigating climate-related risks through practical and financially sustainable actions, as part of a long-term plan.

OCS formalised and published its Sustainability Strategy in 2021, building on the great work already started by our local country teams, measuring our carbon impact, and working with external experts to develop transition plans to meet our net zero commitments. In 2022 OCS completed full scope 1, 2 and 3 baseline work and we agreed near and long-term targets in line with the SBTi.

We are working with our supply chain partners to reduce carbon emissions from our supply chain and mitigate an increased risk of climate-related extreme weather events, especially on global farming and food supplies, where the need for more sustainable produce is required.

As a provider of facility services, OCS is well placed to support and work with many customer organisations to reduce their carbon emissions, through innovation and development of sustainable service solutions, and providing opportunities for business growth.

We have taken the time and worked with experts in their field to ensure that our strategy and carbon reduction plans are based on sound sustainable targets aligned to the SBTi, to help limit global warming to 1.5 degrees, in line with the Paris Agreement. During 2023 we will look to complete a scenario-based analysis to further strengthen the durability of our plans and the business.

Risk Management

With the increase of climate-related risk to the business in the medium to long-term, climate related business risks were added to the Risk Register as a separate item in 2022. Each risk identified will be documented and a residual risk rating assigned (along with a target risk rating). A heat map is used to assess each risk against the likelihood (Remote, Possible, Probable, and Probable and Imminent) and the impact (Minimal, Major, Severe, and Catastrophic). Through discussion and analysis of the impact to the business, the risk and mitigating controls will be agreed and submitted to the ExComm and the Board for approval.

The Risk Register sets out clearly the likelihood and impact of each risk. The sub-risks that form part of the overall climate-change risks will each be allocated a risk owner, as will any actions required to mitigate the risk. Actions will be SMART and tracked to completions. The risks and mitigating controls will be reviewed by the ExComm and Board formally at least twice a year.

The accountable ExComm member leads on developing mitigation plan for each risk and is also responsible for regularly reporting progress in addressing the risk and for ensuring timely implementation of risk management actions. We have various standards in place that we follow, for example our procurement strategy that sets out criteria for our businesses and their suppliers.

Metrics and targets

We focus reporting on our highest emission sources of fuel and energy. This allows us to concentrate our efforts where we can make the most impact.

The Streamlined Energy and Carbon Reporting (SECR) methodology is being applied across our business to ensure consistency in measuring and reporting our emissions. Reporting includes Scope 1,2 and Scope 3 Business Travel and summarises the energy consumption (kWh) and carbon emissions (tCO_2e).

We have invested in a partnership with Toitu Carbon Reduce and their accredited greenhouse gas reduction certification scheme to measure and calculate our operations energy consumption and carbon emissions.

Data inventory has been certified in accordance with international standard ISO14064-1 by a qualified independent auditor and includes Scope 1,2 and Scope 3 Business Travel and summarises the energy consumption (kWh) and carbon emissions (tCO_2e). From the full scope baseline work carried out by Eunomia, our net zero transition planning experts, the following metrics have been set to measure and manage our progress to our net zero 2040 target: 100% of our fleet cars and vans to be electrified by 2034; 100% of renewable electricity procured by 2030; and a 7.5% reduction in economic intensity year on year.

DIRECTORS' REPORT (continued)

Streamlined Energy and Carbon Reporting (SECR) Methodology

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

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

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

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

It was determined that the most appropriate boundary of control (financial, organisational, or operational) to report on was operational control. This methodology has been applied to our operations for 2022. Our data inventory has been certified in accordance with international standard ISO 14064 1 by a qualified independent auditor.

Streamlined Energy and Carbon Reporting Data

The Streamlined Energy and Carbon Reporting (SECR) period follows the financial accounting period for OCS Group UK Limited, during the financial period of 1st January 2022 to 31st December 2022.

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

Although we have seen an increase in our energy use and carbon emissions compared to our 2021 data, our overall intensity ratio for 2022 is 11.4% better than our 2020 baseline data. The increase in energy use is due to growth in the business over the past 12 months, increase in travel and an increase in production to almost pre-pandemic levels at our aviation laundry facility Central Way near Heathrow, which is our largest single use site of energy.

	2022		2021		2020	
Emission source	**Energy Consumption (kwh)**	**tCO2e**	**Energy Consumption (kwh)**	**tCO2e**	**Energy Consumption (kwh)**	**tCO2e**
Scope 1 – Natural Gas & Fuel Consumption	20,364,147	4,724.6	19,117,289	3,894.7	21,637,730	4,589.3
Scope 2 – Electricity	1,778,361	343.9	1,018,949	216.4	1,361,435	317.4
Scope 3 – Business Travel	-	720.4	-	547.7	-	582.1
Total (Scope 1 + Scope 2 + Scope 3)	22,142,508	5788.9	20,136,238	4,658.8	22,999,165	5,488.8
Financial Turnover	£511,622,000		£460,977,000		£429,805,000	
Intensity Ratio: tCO2e/turnover £m	11.31		10.11		12.77	
Intensity Ratio: tCO2e /turnover yearly % change	11.9		-20.9		NA, first year	

OCS GROUP UK LIMITED

DIRECTORS' REPORT (continued)

GOING CONCERN

The Company ended the year in a structurally sound position, with a diverse market sector revenue base and in a position of financial strength. The Company reported a profit after tax in 2022 of £19.2m (2021: £19.6m). operating profit before exceptional items of £22.4m (2021: £14.9m) and EBITDA has increased to £25.6m (2021: £18.8m). On 31 December 2022 the Company had cash balances of £48.5m (2021: £53.7m) having paid a dividend of £10.0m in the year and net assets of £58.3m (2021: £58.6m).

Whilst the Company does not forecast a need for financial support in the next twelve months, either by way of parent Company funding or by drawing on the Group's revolving credit facility the Company does have access to the revolving credit facility put in place as part of the Group facility, were funding required. The Company also became a guarantor of the Group's Senior Facility on 11th August 2023. The Directors note that Group management have, in order to be able to conclude that it is appropriate to prepare the Group financial statements on a going concern basis, carried out scenario modelling from the baseline projection prepared as part of the annual 2023 budget and business plan. Under the baseline scenario, equivalent to the Group's approved 2023 budget and one year plan, all covenant tests are met.

OCS continues to provide essential and critical support services to a wide variety of private and public sector organisations in a number of different territories. The business has proved itself to be robust and poised for future growth. Whilst forecasting is by its nature uncertain, based on the analysis performed at both a Company and Group level, the Directors have a reasonable expectation that the Company is able to meet its obligations as and when they fall due and have concluded that the financial statements of the Company can be prepared on the going concern basis

SUBSEQUENT EVENTS

Following the acquisition of OCS Group International Limited by OCS Group Investments Limited ("OCSGIL") on 30 November 2022, the Company is now part of a larger Group whose ultimate UK entity preparing group accounts for 2022 is OCS Group Topco Limited (OCS Group Topco Limited and all its direct and indirect subsidiaries are herein referred to as the "Group"). OCSGIL acquired the entire share capital of Atalian Servest Holdings Limited which included Atalian Group's UK, Republic of Ireland and Aktrion trading companies as well as Atalian Asia Pte Ltd (Singapore) and OCS Holding (HK) Limited (Hong Kong)on 28 February 2023. The Company became a guarantor of the Senior Facility of £698m of the new Group on 23 June 2023.

DIVIDENDS

Dividends of £10.0m were paid in the year (2021: £nil).

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.

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.

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

T. Evans
Director
28 September 2023

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 2022 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 36.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

- financing facilities available to the Company as part of the wider OCS Group including nature of facilities, repayment terms and covenants at a Group level
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis and reverse stress testing at a Group level
- need, or otherwise, for the Company to either utilise the Group facilities available, or for the guarantee provided under the Group facilities to be called upon
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management
- external market factors
- post year end performance.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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

We have nothing to report in this regard.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities including those that are specific to the Company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006, FRS 102 The Financial Reporting Standard, The National Minimum Wage Regulation 2016 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included employment law, Health and Safety at Work Act 1974 and Joint Aviation Requirement operation compliance.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- revenue recognition in contracts of scale and complexity: we assessed monthly billing profiles of contracts identified as significant risks, whilst also performing substantive testing at this contract level on both the revenue balance itself and related items (e.g. debtors, credit notes). We performed enquiry with key contract management to further our understanding and identification of variances, corroborating this by obtaining relevant evidence. We investigated KPIs for any failures, related claims and disputes within the identified significant risk contract portfolio and considered the impact of these on the recognition of revenue, whilst also performing an investigation for contradictory evidence across public and private information.

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

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

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
28 September 2023

OCS GROUP UK LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2022

	NOTE	**2022** **£'000**	2021 £'000
TURNOVER	3	**516,944**	460,977
Cost of sales		**(457,134)**	(413,574)
Government grant income	8	**-**	7,383
GROSS PROFIT		**59,810**	54,786
Administrative expenses		**(37,373)**	(39,903)
Government grant income	8	**-**	17
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**22,437**	14,900
Exceptional (expense)/income	4	**(315)**	536
OPERATING PROFIT		**22,122**	15,436
Net finance income	5	**1,637**	1,150
PROFIT BEFORE TAXATION	6	**23,759**	16,586
Tax (charge)/credit on profit	9	**(4,541)**	2,973
PROFIT AFTER TAXATION		**19,218**	19,559

All activities derive materially from continuing operations.

OCS GROUP UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	NOTE	2022 £'000	2021 £'000
Profit for the financial year		**19,218**	19,559
Actuarial loss on retirement benefit schemes	19	**(12,203)**	-
Tax relating to components of other comprehensive income	9	**1,905**	-
Other comprehensive expense		**(10,298)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,920**	19,559

OCS GROUP UK LIMITED

BALANCE SHEET
31 December 2022

	NOTE	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	11	**7,400**	6,018
Tangible assets	12	**4,524**	5,569
Investments	13	**7**	7
		11,931	11,594
CURRENT ASSETS			
Stocks	14	**1,910**	1,740
Retirement benefit assets	19	**4,398**	-
Debtors: amounts falling due within one year	15	**70,628**	70,373
Debtors: amounts falling due after more than one year	15	**16,874**	22,333
Cash at bank and in hand		**48,531**	53,672
		142,341	148,118
Creditors: amounts falling due within one year	16	**(95,993)**	(100,860)
NET CURRENT ASSETS		**46,348**	47,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,279**	58,852
Provisions for liabilities	19	**-**	(217)
NET ASSETS		**58,279**	58,635
CAPITAL AND RESERVES			
Called up share capital	20(A)	**2,000**	2,000
Profit and loss account	20(B)	**56,279**	56,635
SHAREHOLDERS' FUNDS		**58,279**	58,635

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2023.

Signed on behalf of the Board of Directors

T. Evans
Director

OCS GROUP UK LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 31 December 2020	2,000	37,005	39,005
Profit for the financial year	-	19,559	19,559
Capital contribution (see note 10)	-	71	71
At 31 December 2021	2,000	56,635	58,635
Profit for the financial year	-	19,218	19,218
Actuarial loss on retirement benefit schemes	-	(10,298)	(10,298)
Capital contribution (pension contributions)	-	1,250	1,250
Capital contribution (shared-based payments, see note 10)	-	(526)	(526)
Dividends paid on equity shares	-	(10,000)	(10,000)
At 31 December 2022	**2,000**	**56,279**	**58,279**

Capital contributions relate to contributions of £1,250,000 (2021: £nil) made by the Company's former ultimate parent company, O.C.S. Group Limited, to the Company's defined benefit pension scheme on behalf of the Company and costs of £526,000 (2021: income of £71,000) relating to the Company's equity settled share-based payment transactions.

1. ACCOUNTING POLICIES

OCS Group UK Limited is a Company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. It is a private Company limited by shares. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2-4.

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

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

Accounting convention

The financial statements are prepared under the historical cost convention.

OCS Group UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. OCS Group UK Limited is consolidated in the financial statements of OCS Group Topco 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 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 2022. The comparative amounts presented in these financial statements (including the related notes) are for the year ended 31 December 2021.

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 19.

The Company meets its day to day working capital requirements through working capital facilities. Additionally, the Company was required to sign up as a guarantor of the OCS Group senior facility on 23 June 2023 which was put in place in order to fund the acquisition of elements of Atalian Servest detailed in note 25. This has given management access to an undrawn revolving credit facility which supports the liquidity of the Company.

The Company's forecasts, more fully described in the Directors' Report on page 18, show that the Company will be able to operate within the level of its current facilities. The Company has long term facilities services contracts with a number of clients and suppliers across different industries and the Directors believe that the Company is well placed to manage its business risks successfully.

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

Intangible fixed assets - goodwill

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

Goodwill arising on acquisitions prior to 1 April 1998 has been written off against the profit and loss reserve. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal. Goodwill arising on acquisitions from 1 April 1998 is included on the balance sheet and amortised within administrative expenses in equal annual instalments over its expected useful economic life, up to a maximum of 20 years (maximum of ten years for goodwill arising on acquisitions from 1 April 2014). Provision is made for any impairment.

1. **ACCOUNTING POLICIES (continued)**

Intangible fixed assets – other

Other intangible fixed assets are stated at cost, net of amortisation and any provision for impairment. The cost of software includes development costs where the technical, commercial and financial viability of individual projects are satisfactorily established and are therefore not treated, for dividend purposes, as a realised loss. Amortisation is provided within administrative expenses to write down cost to estimated residual value by equal annual instalments over the period of estimated useful economic lives as follows:

Software	3 - 15 years

Tangible fixed assets

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

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

Financial instruments

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

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

Financial assets and liabilities

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

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

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

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

Investments

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

Stocks

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

1. **ACCOUNTING POLICIES (continued)**

Impairment of assets

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

Non-financial assets

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

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

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

Financial assets

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

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

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

Leases and hire purchase contracts

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

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

1. **ACCOUNTING POLICIES (continued)**

Taxation

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

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

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

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

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

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

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

1. **ACCOUNTING POLICIES (continued)**

Provisions for liabilities

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

Retirement benefit schemes

The Company participates in a number of funded pension arrangements including defined benefit and defined contribution schemes. Prior to the Company becoming the sole sponsoring employer of the defined benefit pension schemes, as there was no contractual agreement or stated policy for charging the net defined benefit cost to individual Group companies, it accounted 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.

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

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

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

Share-based payments

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

Foreign exchange

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

Turnover

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

Government grants

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

Exceptional items

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Key sources of estimation uncertainty

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

Deferred tax assets

The recoverability of the Company's deferred tax assets of £20,407,000 (2021: £22,333,000), 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.

Retirement Benefit Schemes

The net surplus/deficit of the Company's defined benefit retirement benefit schemes is determined based on actuarial advice and the calculation is significantly affected by relatively small changes in the actuarial assumptions concerning future inflation, discount rates and mortality. The net surplus recognised for the Company's defined benefit schemes is £4,398,000 after actuarial losses in the year of £12,203,000. An asset ceiling adjustment of £26,174,000 has been recorded in respect of a surplus that cannot be recognised due to recoverability 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. EXCEPTIONAL ITEMS

	2022 **£'000**	2021 £'000
Profit on sale of operations	**52**	391
Bad debts recovered	**125**	-
Restructuring	**(492)**	145
	(315)	536

Profit on sale of operations in 2022 relates to releases of accruals no longer required, in 2021 this related to the sale of a small non-core business in January 2021.

Bad debts are directly attributable to COVID-19, the net credit in 2022 reflects the benefit of some subsequent recoveries of amounts provided in 2020.

Restructuring costs in 2022 have been classified as exceptional due to the nature of the remaining restructuring activities that were undertaken during the year as a result of COVID-19 and the sale of the immediate parent Company, OCS Group International Limited to OCS Group Investments Limited. There was a small net release of over-accruals in 2021.

OCS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

5. NET FINANCE INCOME/(EXPENSE)

	2022	2021
	£'000	£'000
Interest payable under finance leases and hire purchase contracts	-	(5)
Interest receivable from fellow subsidiaries	**1,827**	690
Interest receivable from ultimate parent company	-	200
Foreign exchange	**2**	(35)
Other finance income (note 19)	**92**	-
Other finance expenses	**(904)**	(435)
	1,017	415
Investment income (note 13)	**620**	735
	1,637	1,150

6. PROFIT BEFORE TAXATION

	2022	2021
	£'000	£'000
Profit before taxation is after charging:		
Depreciation of tangible fixed assets	**2,129**	2,412
Amortisation of goodwill	-	315
Amortisation of software	**1,051**	925
Impairment of software	-	259
Rentals under operating leases:		
- hire of plant and machinery	**1,501**	1,682
- other operating leases	**4,592**	4,146
Auditor's remuneration:		
- audit of the Company's annual accounts	**296**	105
Share-based payments	-	600

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:

	2022	2021
	£'000	£'000
Operating profit before exceptional items	**22,437**	14,900
Depreciation of tangible fixed assets	**2,129**	2,412
Amortisation of goodwill	-	315
Amortisation of software	**1,051**	925
Impairment of software	-	259
EBITDA	**25,617**	18,811

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2022 £'000	2021 £'000
Directors' remuneration:		
Emoluments	970	1,025
Long term incentive schemes	1,456	-
Pension contributions	41	39
	2,467	1,064

As described in note 10, O.C.S. Group Limited has funded long term incentive scheme payments to beneficiaries in December 2022.

At the year-end two (2021: two) Directors were members of a defined contribution pension scheme and no Directors (2021: two) exercised share options in the year.

Emoluments and long term incentive scheme payments of the highest paid Director were £1,417,000 (2021: £586,000). The Company paid defined contribution pension contributions of £nil (2021: £nil) in respect of the highest paid Director. The highest paid Director exercised share options in the prior year and no other shares were received or receivable by that Director under a long-term incentive scheme in the current or prior year.

	2022 No.	2021 No.
The average number of employees, some being employed on a part-time basis, was:		
Operations	15,793	15,188
Sales and administration	672	588
	16,465	15,776

	2022 £'000	2021 £'000
Staff costs, including Directors, incurred in respect of these employees were:		
Wages and salaries	329,239	295,177
Social security costs	28,380	26,119
Other pension costs	6,567	6,146
	364,186	327,442

Wages and salaries and social security costs include amounts arising under the previous Group's share-based payments schemes (see note 10).

Other pension costs include costs of £6,502,000 (2021: £6,146,000) relating to defined contribution schemes and £65,000 (2021: £nil) relating to current service costs of defined benefit schemes but exclude finance costs and amounts separately dealt with in the statement of comprehensive income.

8. GOVERNMENT GRANTS AND OTHER SUPPORT MEASURES

During 2021 certain grants and other support measures were provided by the UK government in response to the COVID-19 pandemic.

The Company recognised £nil (2021: £7,400,000) of government grants to support the employment of the Company's employees. These grants have been shown as income, with £nil (2021: £7,383,000) included in gross profit to align this grant income to the related wages cost. There are no unfulfilled conditions or contingencies attached to the grants received.

The Company's cash position at 31 December 2022 has benefitted from £nil (2021: £2,148,000) of deferred UK VAT payments.

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

9. TAX ON PROFIT

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax	1,233	-
Foreign tax	65	-
Group relief	703	3,752
Adjustment to prior periods' tax provisions	(59)	32
	1,942	3,784
Deferred tax		
Origination and reversal of timing differences	2,961	(6,769)
Adjustment to prior periods' tax provisions	(362)	12
	2,599	(6,757)
Tax charge/(credit) on profit	4,541	(2,973)

Reconciliation of total tax charge/(credit):

	2022	2021
Profit before tax	23,759	16,586
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	4,514	3,151
Factors affecting charge/(credit) for the year:		
- expenses not deductible for tax purposes	47	28
- deductions allowed for tax purposes	(246)	(535)
- income not taxable	(118)	(241)
- adjustments in respect of prior periods	(59)	44
- overseas tax	65	-
- other timing differences	338	(505)
- change in UK deferred tax rate	-	(4,915)
Total tax charge/(credit) for the year	4,541	(2,973)

In addition to the tax charge/(credit) shown above there is a corporation tax credit of £1,233,000 (2021: £nil) relating to pension contributions and a deferred tax credit of £672,000 (2021: £nil) relating to actuarial gains and losses for the pension schemes, both are dealt with in the statement of comprehensive income.

10. SHARE-BASED PAYMENTS

The Company participated in the former Group's share option scheme, certain employees being granted options in respect of shares in O.C.S. Group Limited (now De Facto 2348 Limited) and certain employees participated in these incentive schemes, at the end of the three years employees were eligible to receive shares based on the achievement of annual performance targets.

The Company measured its share-based payment expense based on the equity settled amounts attributable to its employees. The estimated fair value of the options at grant date for accounting purposes was measured by the use of the Black-Scholes pricing model, which was considered to be the most appropriate generally accepted valuation method of measuring fair value.

The vesting period for all options was 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 were not achieved. Options expired if they remained unexercised after a period of seven years from the date of grant and options were forfeited if the employee left the Group before the options vested.

Details of the share options outstanding during the year under the former Group's share option scheme are as follows:

	2022 No.	2021 No.
At 1 January	**76,804**	125,299
Exercised	**(8,422)**	(15,442)
Cash settled	**-**	(3,861)
Forfeited	**(68,382)**	(29,192)
At 31 December	**-**	76,804

During the year £526,000 (2021: £529,000) was paid in respect of share options exercised by employees.

The share option scheme and the three year incentive scheme closed on 30 November 2022 and O.C.S. Group Limited has funded payments to beneficiaries in December 2022. No cost has been apportioned to the Company in respect of these payments.

The Company recognised a charge of £nil (2021: £600,000) within administrative expenses related to share-based payment transactions arising under the share option and long-term incentive schemes.

11. INTANGIBLE FIXED ASSETS

	GOODWILL £'000	SOFTWARE £'000	TOTAL £'000
Cost			
At 1 January 2022	9,660	22,058	31,718
Additions	-	2,616	2,616
Disposals	-	(203)	(203)
At 31 December 2022	**9,660**	**24,471**	**34,131**
Amortisation			
At 1 January 2022	9,660	16,040	25,700
Charge for the year	-	1,051	1,051
Disposals	-	(20)	(20)
At 31 December 2022	**9,660**	**17,071**	**26,731**
Net book value			
At 31 December 2022	**-**	**7,400**	**7,400**
At 31 December 2021	-	6,018	6,018

The cost of software includes £6,579,000 (2021: £4,637,000) in respect of costs incurred on ongoing systems development where no amortisation has been charged as this asset has not been brought into use.

12. TANGIBLE FIXED ASSETS

GROUP	SHORT TERM LEASEHOLD PROPERTIES £'000	MOTOR VEHICLES £'000	PLANT, MACHINERY, FIXTURES AND FITTINGS £'000	CABINETS, MATS AND SERVICE EQUIPMENT £'000	TOTAL £'000
Cost					
At 1 January 2022	3,013	882	21,321	130	25,346
Additions	52	-	1,163	-	1,215
Disposals	-	(342)	(2,023)	-	(2,365)
At 31 December 2022	**3,065**	**540**	**20,461**	**130**	**24,196**
Depreciation					
At 1 January 2022	1,857	878	16,912	130	19,777
Charge for the year	337	4	1,788	-	2,129
Disposals	-	(342)	(1,892)	-	(2,234)
At 31 December 2022	**2,194**	**540**	**16,808**	**130**	**19,672**
Net book value					
At 31 December 2022	**871**	**-**	**3,653**	**-**	**4,524**
At 31 December 2021	1,156	4	4,409	-	5,569

The net book value of fixed assets includes £nil (2021: £53,000) in respect of plant and machinery held under finance leases and hire purchase contracts, which do not include any unusual arrangements.

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

13. FIXED ASSET INVESTMENTS

	JOINT VENTURES £'000
Cost	
At 1 January 2021	7
At 31 December 2021	**7**
Provisions	
At 1 January 2021	-
At 31 December 2021	**-**
Net book value	
At 31 December 2022	**7**
At 31 December 2021	7

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

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

During the year the Company received dividends from investments in joint ventures of £620.000 (2021: £735,000).

14. STOCKS

	2022 £'000	2021 £'000
Finished goods and goods for resale	**1,910**	1,740

15. DEBTORS

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	**30,421**	26,436
Amounts owed by ultimate parent company	-	15
Amounts owed by immediate parent company	**26,784**	34,804
Amounts owed by fellow subsidiary undertakings	**514**	296
Amounts owed by joint ventures	**144**	239
Other debtors	**1,042**	1,244
Current tax debtor	**502**	338
Deferred tax (see note 17)	**3,533**	-
Prepayments and accrued income	**7,688**	7,001
	70,628	70,373
Amounts falling due after more than one year:		
Deferred tax (see note 17)	**16,874**	22,333

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Bank loans	**7,956**	5,762
Obligations under finance leases and hire purchase contracts	-	18
Trade creditors	**23,558**	20,786
Amounts owed to ultimate parent company	-	16,508
Amounts owed to joint ventures	-	9
Amounts owed to fellow subsidiary undertakings	**17**	145
Other taxes and social security	**8,538**	5,639
Other creditors	**5,986**	5,640
Accruals and deferred income	**49,938**	46,353
	95,993	100,860

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

17. DEFERRED TAX

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

	2022	2021
	£'000	£'000
Depreciation in excess of capital allowances	20,050	22,646
Other timing differences	357	(313)
	20,407	22,333

During 2023 the net reversal of deferred tax assets and liabilities is expected to reduce the corporation tax charge for the year by £3,533,000 due to the use of capital allowances.

A deferred tax asset of £3,297,000 (2021: £3,297,000) has not been recognised in respect of certain tax losses. This asset will be recovered if there are sufficient future taxable profits.

18. PROVISIONS FOR LIABILITIES

	£'000
At 1 January 2022	217
Utilised in the year	(166)
Released unused	(51)
At 31 December 2022	-

Provisions related to onerous property obligations arising following the disposal of Cannon Hygiene Limited in 2018.

19. RETIREMENT BENEFIT SCHEMES

During 2022 the Company became the sole sponsoring employer of the OCS Group Staff Pension and Assurance Scheme, a defined benefit scheme, and of the OCS Group Transfer of Undertakings Pension Scheme, a defined benefit scheme for employees transferred under TUPE arrangements from public sector employers.

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. On 25 February 2022 members of the OCS Group Pension Savings Scheme were transferred to alternative pension arrangements which continue to provide the same benefits.

Lump sum contributions of £18,070,000 (2021: £3,191,000) were paid to The OCS Group Staff Pension and Assurance Scheme during the year including £15,250,000 (2021: £nil) by the Company. From January 2023 monthly lump sum contributions are payable as follows: £250,000 from January 2023 to March 2023; £257,500 from April 2023 to November 2023; and £3,417,025 in December 2023. Under this recovery plan agreed with the scheme trustee in August 2022, the Company aims to eliminate the 1 April 2021 funding deficit over a period of two years. The Company will monitor funding levels annually and the funding schedule will be reviewed between the Company and trustee every three years, based on actuarial valuations. The next triennial valuation is due to be completed as at 1 April 2024. At 31 December 2022 this scheme had an accounting surplus of £26,174,000 but the surplus cannot currently be recognised due to recoverability uncertainty as the Company does not currently have an unconditional right to a refund.

A lump sum contribution of £nil (2021: £50,000) was paid by O.C.S. Group Limited to The OCS Group Transfer of Undertakings Pension Scheme during the year. At 31 December 2022 this scheme had a surplus of £4,398,000 and no further lump sum contributions are payable as agreed with the scheme trustee in January 2022.

The most recent full actuarial valuations of the Company's defined benefit pension schemes are as at 1 April 2021 by Capita Pension Solutions Limited The amounts included in the accounts in respect of the Company's defined benefit pension schemes have been based on valuations of assets and liabilities carried out at 31 December 2022 by Isio Services Limited. Scheme assets are stated at their market value at 31 December 2022 and scheme liabilities are measured on an actuarial basis using the projected unit credit method.

19. RETIREMENT BENEFIT SCHEMES (continued)

	2022
Assumptions	
Inflation - RP	3.10% p.a.
Inflation - CPI	2.40% p.a.
Rate of increase in salaries	2.40% p.a.
Rate of increase in pensions:	
- accrued before 1 April 1992	2.50% p.a.
- accrued after 31 March 1992	2.80% p.a.
Rate of discount for liabilities	4.75% p.a.

The mortality assumption at 31 December 2022 is 100% of SAPS S3 Standard tables with CMI 2021 projections using a 1.25% long term improvements rate.

	2022 £'000
Fair values of assets and present values of liabilities	
Equities	30,860
Bonds	188,284
Derivative instruments	(11,751)
Cash	1,375
Fair value of pension scheme assets	208,768
Present value of pension scheme liabilities	(178,196)
Net surplus on pension schemes	30,572
Asset ceiling adjustment	(26,174)
Net surplus recognised	4,398
Related deferred tax liability	(1,539)
Net retirement benefit assets	2,859

	2022 £'000
Analysis of amounts (charged)/credited in the year	
Current service cost	(65)
Net interest income	92
Recognised in the profit and loss account	27
Recognised in other comprehensive income	(12,203)
Total charge relating to defined benefit schemes	(12,176)

The current service cost is included within cost of sales.

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

	ASSETS £'000	LIABILITIES £'000	TOTAL £'000
Analysis of the movements in assets and liabilities			
At 1 January 2022	-	-	-
Company becomes sole sponsoring employer	217,273	(213,584)	3,689
Current service cost	-	(65)	(65)
Interest income/(expense)	2,619	(2,527)	92
Actuarial gains/(losses)	(37,453)	33,147	(4,306)
Asset ceiling adjustment	(11,586)	-	(11,586)
Benefits paid	(4,839)	4,839	-
Employer contributions	16,574	-	16,574
Contributions from scheme members	6	(6)	-
At 31 December 2022	**182,594**	**(178,196)**	**4,398**

The actual return on pension scheme assets was a loss of £34,834,000.

20. **CALLED UP SHARE CAPITAL AND RESERVES**

	2022 £'000	2021 £'000
(A) Called up share capital		
Allotted and fully paid		
2,000,000 (2021: 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.

21. **CAPITAL COMMITMENTS**

	2022 £'000	2021 £'000
Future capital expenditure		
Tangible fixed assets	**542**	437
Software	**196**	942
	738	1,379

22. OPERATING LEASE COMMITMENTS

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

	LAND AND BUILDINGS 2022 £'000	OTHER 2022 £'000	LAND AND BUILDINGS 2021 £'000	OTHER 2021 £'000
Payments due:				
Within one year	**1,652**	**3,308**	1,645	3,083
Between one and five years	**3,035**	**3,981**	4,318	3,430
After five years	**-**	**66**	95	46
	4,687	**7,355**	6,058	6,559

23. CONTINGENT LIABILITIES

The Company has given unlimited guarantees in respect of borrowings by certain Group companies. At 31 December 2022 the borrowings outstanding were £8,958,000 (2021: £41,391,000).

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 2022 the immediate controlling party and immediate parent company was OCS Group International Limited whose registered office address is the same as the Company. At 31 December 2022 the ultimate controlling party was CD&R Associates XI, L.P., the ultimate parent company was CD&R Investment Associates XI, Ltd and the parent company of the smallest and largest group for which group financial statements are prepared was OCS Group Topco Limited whose registered office address is Second Floor, 81 Gracechurch Street, London, WC3V 0AU. Copies of the financial statements of OCS Group Topco Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

25. SUBSEQUENT EVENTS

As described in the Directors' Report, following the acquisition of OCS Group International Limited by OCS Group Investments Limited ("OCSGIL") on 30 November 2022, the Company is now part of a larger Group whose ultimate UK entity preparing group accounts for 2022 is OCS Group Topco Limited (OCS Group Topco Limited and all its direct and indirect subsidiaries are herein referred to as the "Group"). OCSGIL acquired the entire share capital of Atalian Servest Holdings Limited which included Atalian Group's UK, Republic of Ireland and Aktrion trading companies as well as Atalian Asia Pte Ltd (Singapore) and OCS Holding (HK) Limited (Hong Kong) on 28 February 2023. The Company became a guarantor of the Senior Facility of £698m of the new Group on 23 June 2023.