

Annual Report 2020

January to December 2020



Welcome

The 2020 Annual Report reflects our nineteenth year of providing independent dispute resolution to ensure fair treatment for all. The context of this report differs significantly from those of previous years, as the structure of our daily routines and social interactions were entirely disrupted by the pandemic.

Many of us navigated life within our four walls as places of work, education and socialisation were abandoned in a drive to protect all. Covid had a huge impact on our use of parking, energy and communications as our homes became even more central to our lives.

In the face of these challenges Ombudsman Services adjusted our ways of working, supported colleagues and did our very best for the consumers, businesses and suppliers we resolve disputes between.

Our focus areas for 2020 were Quality, Relationships, People and Strategy, the results of which we are pleased to share in this report with further outcomes due to be realised throughout 2021 and into 2022.



Foreword from our Chair

2020 has seen Ombudsman Services navigate a year of unprecedented challenge and change. We have done so not only with our business surviving but on course to thrive in 2021.

Models and processes introduced last year have helped us to sustain the business through this challenging period and gain shape for what lies ahead. The subscription based funding model has been a major contributor to our financial stability in the face of multiple energy supplier failures and our strategic planning process has uncovered exciting opportunities for the future.

Whilst many suffered the paralysing effects of the pandemic, we have been fortunate to be able to strategically invest in our people and in systems and processes that will help us to fulfil our purpose to an even greater extent in 2021.

We've been able to invest in the wellbeing and development of our people including growing our team to enable provision of a more empathetic, effective and efficient service. There has also been ongoing investment into systems like our Dispute Resolution Platform to facilitate improvements.

Our leadership team have grown together and initiated some great work in 2020 which has included initiating the transformation to our Target Operating Model. This transition will see our consumer-facing colleagues providing consumers and suppliers with a single contact end-to-end dispute resolution service which we believe will improve the experience for all.

Our core values of balance, openness, empathy and courage remain central to our strategy alongside a drive to ensure that we remain relevant to society. Therefore a large part of our focus moving forward will be on increasing our accessibility with intent to grow our understanding and establish a connection with consumers who are harder to reach or in more vulnerable circumstances.

We look forward to continuing to realise our commitment to improving consumer experiences through dispute resolution, service improvement and industry-wide improvement into 2021 and beyond.



Lord Clement-Jones CBE
Chair of the Board



Daresbury Park, Warrington

Head Office | Ombudsman Services





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Chief Ombudsman overview

Ombudsman Services is a not-for-profit organisation that provides an independent dispute resolution service between suppliers subscribed to our service (in the energy and communications sectors) and the businesses and consumers that use their services. We also provide the Parking on Private Land Appeals (POPLA) service to motorists appealing parking charge notices issued by parking operators who are members of the British Parking Association. Our service is free to consumers and motorists.

We are committed to improving consumer experiences through:



- Resolving disputes directly with suppliers**
- Helping suppliers to provide better service**
- Collaborating to impact industry wide improvements**

The Impact of the Pandemic

As with many businesses, 2020 was dominated by the operational challenges caused by the COVID-19 pandemic and our main priorities at the start of the crisis were to mobilise the business quickly to ensure the continuity of our services and to help lessen the impact on our colleagues and consumers.

Our success in overhauling our IT platforms and infrastructure in recent years enabled us to deploy our business continuity plan seamlessly once the pandemic took hold, well before the majority of UK businesses. This meant that all colleagues were able to work from home from early March.

We also liaised closely with Ofgem and Ofcom to adopt new ways of working to help suppliers bolster their own front-line operations. This enabled them to focus their resources on meeting an increased demand for their services with more consumers working from home in the second half of the year.

Our year in numbers

- 140,000+ consumer enquiries
- 65,593 disputes resolved (within our terms of reference)
- 11% decrease in energy disputes*
- 19% decrease in communications cases*
- 21% settlements, consistent with 2019

*decreases were largely due to the impact of the pandemic.

POPLA

The nationwide lockdowns and suspension of the sector had a significant impact saw a 34% decrease in decisions issued by POPLA (c 42k). Due to the flexibility of our operating model, affected colleagues were able to support energy and communications activities.

A portrait of Matthew Vickers, a man with short brown hair and glasses, wearing a dark suit, white shirt, and blue patterned tie. He is smiling and looking towards the camera. The background is a plain, light grey color.

“ We believe that there is more need than ever for consumer protection ”

Matthew Vickers

Chief Executive and Chief Ombudsman

Finances

2020 saw us reporting a surplus, after taxation, of £1,127,733 for the year. We have maintained reserves in line with our policy of three to six months cover of total costs.

The failure of energy suppliers continues to impact our finances, with £303,000 of bad debt incurred in 2020. The majority of this was related to Tonik Energy Limited going into administration in October 2020. With an increase in complaint volumes in the second half of the year and work to maximise efficiency, we've been able to absorb this bad debt.

Challenges

Whilst the pandemic highlighted a key business risk of the variability in case volumes driven by factors beyond our control, this is mitigated by on-going forecasting and planning to ensure we remain financially sound and are able to provide an effective service to all. We are pleased to report that we are well-placed to manage the continued impact of the Covid-19 pandemic for the foreseeable future.

Whilst the challenges of 2020 caused a shortfall in case resolutions, by recruiting an Operational Support Unit (OSU) productivity recovered quickly enabling an average dispute resolution period of under twelve weeks in nearly 95% of cases. Aside from being an exceptional operational team with a bright future, nationwide recruitment of our OSU colleagues has also enabled us to realise some of our Equality, Diversity and Inclusion (E,D&I) objectives.

*Key Performance Indicators (KPIs) in the energy and communications sectors were fully recovered by July 2021.

The Targeting Operating Model Transition

Work on a new operating model to improve the experience of consumers and those that subscribe to our service continued during 2020. This transition is supported by a new operational leadership team who share our values of being balanced, open, courageous and empathetic. Whilst the transition to the new operating model presents an operational change risk, this is being carefully monitored in order to realise significant improvement to our products, services, systems, data, resourcing and processes.

A pilot program was run to test and prove the model. The success of which has led to teams being restructured and retrained to enable delivery of 'end-to-end' dispute resolution. This approach provides a better experience for the consumer, a more cohesive service for subscribers, and significant improvement for colleagues.

Structure

In August 2020 we launched Lumin Tech Limited (a wholly owned subsidiary of The Ombudsman Service Limited). Lumin develop, integrate and support technology that provides insights to empower positive consumer engagement. Their capability to develop bespoke solutions is being employed to develop a dispute resolution platform that aside from reducing our operating costs, will help to address industry-wide challenges and improve consumer experience into the future with further commercial potential.

Strategy

Throughout 2020, we continued to develop our strategic direction. The Board have now approved three areas of strategic focus around:

- Alternative Dispute Resolution (ADR) consolidation
- diversification and
- the energy remit (which has not changed substantially since 2006).

As the market moves from being commodity to service based, and with developments such as electric vehicles, we believe that there is more need than ever for consumer protection to keep pace with these advances.

In the longer-term our strategic planning process has identified some new possibilities and strategic options for the future. Central to these will be the core values of the Group and the role the Ombudsman plays in society - ensuring that we remain relevant in an ever-changing world.



Matthew Vickers

Chief Executive and Chief Ombudsman



**Jo Jepson (Director of People & Purpose) and Matt Vickers
discussing our focus on Quality for 2020 (taken Dec 2019)**

Consumer Action Monitor 2020

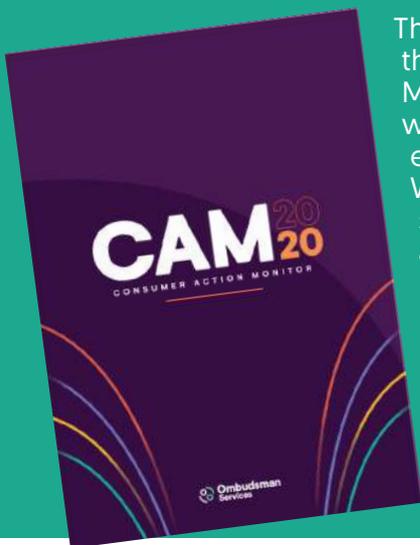
Our annual Consumer Action Monitor (CAM) report helps us to gain insight into the issues that matter most to consumers. The 2020 report was our seventh and undertaken against the backdrop of the pandemic during which consumers were even more reliant on energy and telecoms services.

The 2020 CAM report reflected some interesting trends in consumer attitudes towards complaining. The majority lacked awareness and agreement around the timescales suppliers currently have to resolve disputes. More than half of consumers didn't really know where to take a dispute that wasn't resolved to their satisfaction by a supplier. The report detailed that:

83%
reported that effective complaint handling increases

78%
think that providers have four weeks or less to resolve

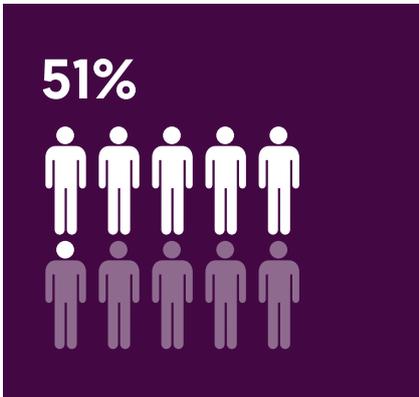
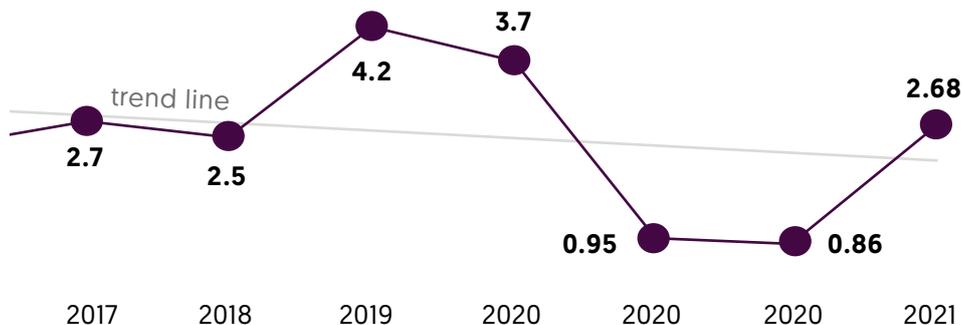
In 2021 trust in companies has remained relatively stable as have expectations of apologies and reassurances. Whilst the attitude that a well-handled complaint increases loyalty remains there are signs that consumer expectations are increasing. Expectations around faster resolutions and more instant responses were expressed by 60% of respondents. 2021 respondents were divided over the fairness of companies having 8 weeks to resolve disputes which demonstrated a much more lenient attitude than reported in 2020.



The **2020 report** documented changes in consumer attitudes during the pandemic with complaining having declined significantly between March and May. Many respondents cited increased tolerance [41%] with nearly a quarter choosing not to complain with previously expressed strong sentiments also decreasing during this period. Whilst the level of consumers considering themselves vulnerable fell slightly, vulnerable consumers were made more-so by the pandemic and made twice as many complaints as non-vulnerable consumers.

With 2020 seeing complaint levels dropping to their lowest levels since recording began in 2014, the June 2021 research reported that complaint volumes had recovered to the levels experienced in 2017. More than half of the consumers surveyed [54%] stated that a complaint would largely be motivated by the level of investment in an item. The majority of consumers [90%] would complain if they had suffered a financial loss.

Mean number of complaints per person



The **2021 CAM** reported that the majority [51%] of consumers felt the pandemic made it harder to complain and get customer service. Notably this was the experience of those with a disability more than those without.



The Green Agenda

CAM 2020 found that the green credentials of energy and telecoms suppliers were most important to: 66% of the youngest (17-24 year olds) and oldest over 65's) in society.

- 64% of women compared to 58% of men
- 50% of consumers in AB to DE socioeconomic groups
- With 65% of consumers feeling that their energy suppliers credentials were important compared to 56% for communications providers

Whilst 2020 saw environmental issues climbing the agenda with consumers valuing suppliers green credentials in their buying decisions, 2021 saw a further 20% increase in this position. Interestingly the majority of consumers surveyed in 2021 felt that environmentally friendly options are not yet accessible to them in terms of changing heating systems (85%) and moving to electric and hybrid vehicles. There is a definite gap in education when it comes to 'net zero' with only 11% of consumers understanding the term (mainly males from more affluent socio-economic groups).

Understanding consumers

We identified four persona groups in 2020 that helped to make our understanding of consumers a more personal one. These groups demonstrated common attitudes around their need for respect, understanding and reassurance and their wish to receive an apology. They were largely differentiated by the level of desired involvement in reaching a resolution.

In 2021 these persona categories expanded to six distinct groups that reflect consumer expectations of better service, just outcomes and financial settlements alongside anxiety at the thought of complaining, concerns around fairness and a lack of belief in the process being worthwhile.

The impact of demographic on consumer attitudes

We expanded our research for the 2021 CAM report to incorporate more demographic detail. By capturing data such as age, ethnicity, marital status, gender, vulnerability, disability, employment, socioeconomic group and education level, we have been able to deepen our understanding of how demographic might impact attitude, particularly where there are factors relating to vulnerability, equality, diversity and inclusion.

The data revealed that those most likely to complain are older white males from more affluent socio economic backgrounds. Those with a higher number of complaints per person include younger people, ethnic minorities, higher socio-economic groups, those with a higher level of education, people living in London and confident internet users.

Those with a lower number of complaints per person were generally people over 45, retired people, those from lower socio-economic groups, those based in North East England and those who are unconfident internet users.

Colleague engagement

People first

2020 saw Ombudsman Services retain focus on our greatest resource, our people. Taking care of our people throughout the pandemic took on many and varied forms from the mechanics of enabling everybody to work from home in a short space of time to increasing communications and coordinating activities to ensure that people were connected and their wellbeing supported.

We were able to provide physical support for home working through the provision of screens, chairs, sundry equipment and DSE assessments. We also arranged that a working from home allowance be paid directly as part of payroll to ensure that nobody was disadvantaged.

Our internal communications platform Horizon came into its own in 2020 with themed content days and community areas for engagement. The MyHR system was introduced in the Spring to enable colleagues to manage their holidays and benefits etc. digitally. The system has also facilitated managers to self-service areas of colleague support.



Ombudsman Services colleagues pictured shortly before lockdown in December 2019

Flexibility and development

The lockdowns of the pandemic presented colleagues with a number of challenges. We did everything that we could to support colleagues through this time. For some, working patterns were adjusted to accommodate circumstances such as increased childcare responsibilities and the need to home educate. We also provided colleagues with opportunity to invest in their own development through free access to LinkedIn Learning and a focused 'Learning at Work' week of virtual activities and resources.

Support and connection

It meant a lot to colleagues to be reassured that nobody would be furloughed or lose their job and that everyone would get paid during such a challenging time. We even reviewed and renewed colleague benefits to ensure that as much as possible could be delivered virtually and developed new methods of onboarding to connect new colleagues with their peers.

A whole program of activities was developed to support and connect colleagues whilst working remotely. These included those to support day to day functioning such as 'Daily Updates' on our Horizon platform, and virtual 'Coffee Catch ups' with senior leaders and 'Town Hall' meetings where Matt and Simon provided updates on what was happening in the business and colleagues were able to ask questions. We also hosted people managers forums to help those supporting teams.

Wellbeing

Weekly wellbeing sessions were hosted along with access to additional support through tools like the 'Unum' counselling resource and 'Unmind' mental health app that was introduced. We also worked more closely with 'Next Steps Consulting' to provide personal wellbeing support to colleagues. Our leaders worked with our HR team to ensure that every colleague had at least 2 welfare calls throughout the year.

Colleagues were able to dial into podcasts and seminars from an array of inspirational speakers including **Dame Kelly Holmes** (pictured right). They were also invited to enjoy 'The Lockdown Sessions' which included live comedy club broadcasts, magic, music and bingo to break the monotony of life in lockdown.



Mental health: key focus in 2020



Dame Kelly Holmes gives an inspirational talk to our team



Christmas Hampers distributed to all colleagues in 2020

In recognition of the fact that wellbeing is a whole household concern, we coordinated activities to engage and support colleagues families. These included treasure hunts, quizzes with prizes, distribution of Easter chocolate and bespoke Christmas hampers with food, drink, gifts and games for children (pictured left).

We ran online events for children through the summer holidays including competitions with prizes for dressing up, recreating pictures, colouring and creating Lego vehicles.

Celebrating people

We have continued to recognise colleagues through the year through our 'Shine' platform and hosted our annual 'People Awards' in a virtual ceremony which featured the 'long service' awards for the first time (pictured bottom right).

The efforts of the business in 2020 were reflected through colleagues 'Great Place to Work' survey responses. This year there was an exceptional participation rate from colleagues (84%) and we scored 72% (right) on the trust index which saw our 'Great Place to Work' score increase by 19%. This resulted in receiving our first ever 'Great Place to Work' accreditation (in the UK's Top 50 best large companies), followed by a second acknowledgement of being a 'Great Place to Work' for women. Whilst we're proud of this achievement, there is more we want to do.

2021 will see Ombudsman Services investing in our colleagues' working environment through the proposed building refurbishment project. The project is centred around encouraging greater collaboration, peer-to-peer support and an improved work-life balance with enhanced facilities including the addition of a dedicated gym facility.



Our GPTW score in 2020 increased by 17% from 2019



The first virtual People's Awards, recognising colleagues via Microsoft Teams (Christmas 2020)

Equality and diversity

We are committed to equality of opportunity and respect for diversity and inclusion and are looking forward to furthering this commitment in 2021. Plans include the appointment of resource dedicated to this area along with changes to our data capture processes and systems to enable accurate reporting and profiling. This data will provide the insights from which a more diverse workforce can be developed and the accessibility of our service extended.

We enjoyed celebrating women in the workplace with a number of our colleagues telling their stories through video interviews that were shared across social media and our internal platforms. We were determined to celebrate 'Pride' in June and enjoyed how it brought us closer as a team even though we couldn't physically be together.

Our Mean Average Gender Pay Gap increased from +7.8% in 2019 to +12.3% in 2020. Whilst this is disappointing there are opportunities to address this in the near future along with the ability to track our progress as part of a more strategic approach to diversity and inclusion.

Corporate social responsibility

We are always looking for ways to improve our environmental impact. 2020 saw us continue to recycle 100% of our waste and complete Greenhouse Gas assessments to explore solutions for offsetting our carbon footprint.

The business supported and match-funded corporate and individual fundraising efforts for charities throughout 2020. There were many cakes baked, bought and consumed, many cups of coffee drunk and some incredible dedication demonstrated to worthy causes. In addition to our work with Warrington Foodbank (which became increasingly critical through 2020) our colleagues chose to support the charities Mind and Dementia UK.

Ombudsman Services @OmbudServices · Jun 5, 2020
#ChesterZoo does amazing work to protect endangered species, but now it's facing its own fight for survival.
@OmbudServices has pledged £500 as we do our bit to help. You can donate through the JustGiving page: bit.ly/2z9qISw
#savechesterzoo #SaveOurZoo



Ombudsman Services @OmbudServices · Oct 26, 2020
Like so many, we've been inspired by the recent actions of @MarcusRashford and @FareShareUK. We regularly donate to @WarringtonFood, but today we're donating all the surplus stock from our Head Office to the local community #ENDCHILDFOODPOVERTY #fightholidayhunger #fooddonation



We're looking forward to introducing supported opportunities for volunteering in the coming year and developing deeper richer relationships through working with local causes whose purpose is aligned with our own.

Customer experience

In 2019, we shared that we had chosen 'Upland Rant & Rave' to partner with us in providing our business to consumer (B2C) survey platform. These B2C surveys went live in Q1 2020 and have allowed us to gather representative insights and feedback direct from consumers about our service.

We have identified trends in both consumers positive feedback and the areas where they feel we need to improve. These insights have contributed to the shaping of the Target Operating Model which supports the business priorities of providing people with an impartial, empathetic quality service.

Having built a year's worth of survey data in 2020 we now have a benchmark against which future scores and insights can be measured. This will enable us to understand if the changes we are making across the business are achieving the consumer experience improvements we are aiming for.

We continued to issue Business to Business (B2B) surveys to the energy and communication suppliers that subscribe to our service throughout 2020. We are happy to report that they demonstrated recognition of the improvements made to communications, including our virtual Sector Liaison Panels and welcomed the changes in partnership management.

The 2020 customer experience results reflect a positive improvement in our service, which we are really pleased with. The insight gained from these surveys will continue to shape the businesses development and future improvement opportunities.

Our experience scores with consumers (B2C)



New for 2020



New for 2020



New for 2020

Our experience scores with suppliers (B2B)



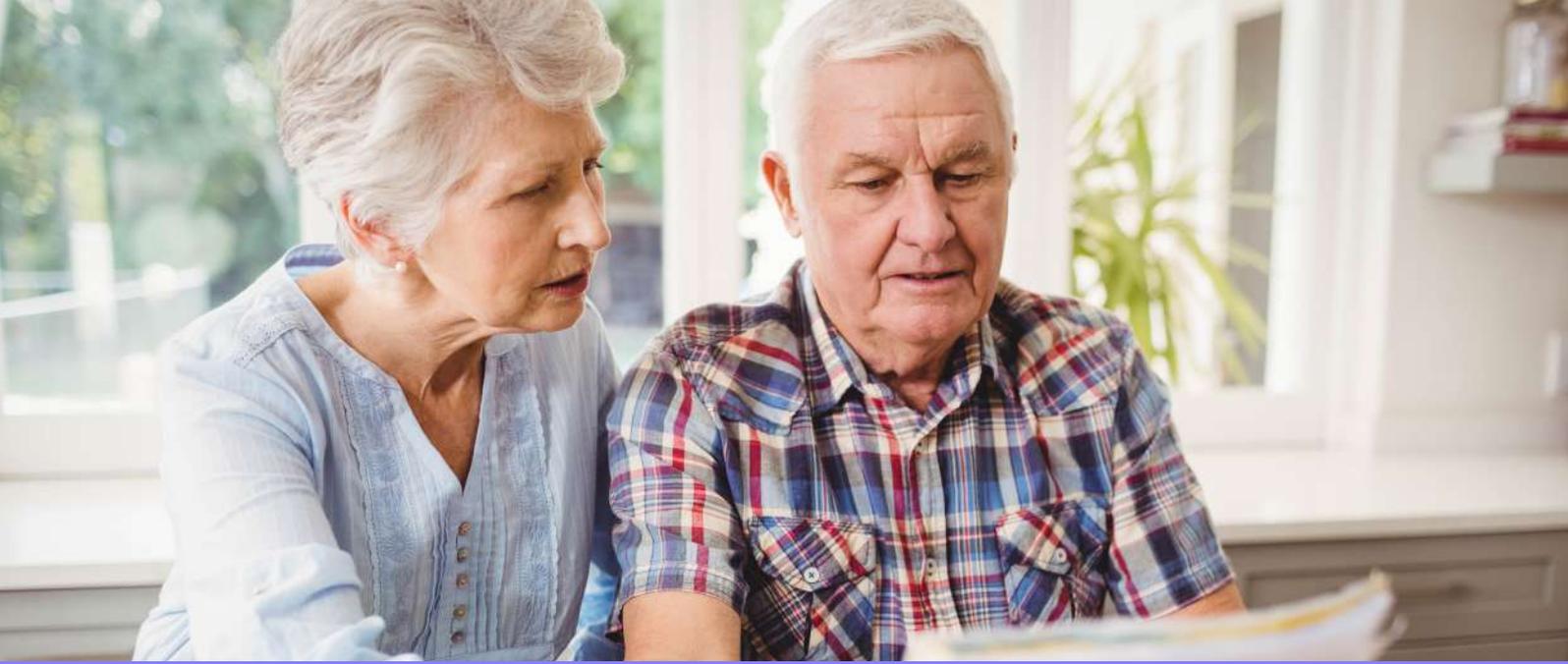
+11.9% since 2019



+17.9 since 2019



+17.7 since 2019



Service complaints

2020 was an extremely challenging year in which we received 1134 service complaints, a slightly lower volume than in 2019. We found in the customers favour in 79% of the complaints received in 2020, which was down from 83% in 2019.

Ombudsman Services handled 92,172 dispute resolutions for the energy and communication sectors in 2020. The majority of which did not result in an Ombudsman service complaint.

There was a notable decrease in referrals to the Independent Assessor in 2020 as Customer Relations resolved more complaints in-house. The Independent Assessor has again commented on the excellent quality of our service complaint handling.

The Independent Assessor considered 98 cases in 2020, down from 129 cases in 2019. 89% were upheld or justified and so had merit, down from 90% in 2019. Feedback from the Independent Assessor is provided to the Board annually, and ongoingly to operational staff.

Moving forwards

We introduced the Service Delivery Department in 2020 which our Customer Experience team now form part of. The Customer Experience team supported customers and provided great value to the operation through; the creation of enhanced surveys, detailed analysis of customer journeys and representing the VOC in key TOM work packages.

2021 will see Ombudsman Services making structural changes at leadership level to ensure that building and maintaining trust for all customer groups, particularly the vulnerable, is at the forefront at what we do.

Independent Assessor

Summary annual report of the Independent Assessor 2020

Complaints to the Independent Assessor saw a spike in 2019 but returned closer to 2017/18 levels in 2020 with 98 reports.

Of those:

- 51 **(55%)** had at least one new valid issue in my review
- 10 **(11%)** were not upheld as I found no merit in the complaint
- 32 **(34%)** were justified as I saw nothing more in my review than had already been acknowledged

What are customers complaining about?

Communication

Simple communication failures, generally cited as ‘another thing’ to a larger concern. Many of these have been issues where a consumer’s communication preferences weren’t met.

Disputes, Appeals and Decisions

Consumers dislike a provider being able to dispute acceptance of a case multiple times. There have been instances where insufficient scrutiny was given and provider disputes were too readily accepted. There have been complaints where a decision over a case being within the Ombudsman Services remit was delayed causing the consumer to complain. Issues have arisen where the Ombudsman Services colleague who reached the first decision has also reviewed the appeal which has not provided a balanced perspective. Where consumers believe that a decision is incorrect these have to be handled by Customer Relations. Sometimes these involve decision changes due to a post-decision challenge from a supplier. This causes confusion and disappointment after a consumer has accepted an outcome and should be paid in goodwill.

Delay

There were no systemic delays and from Customer Relations clearing their backlog in March, complaints in this area stopped too. However, individual errors did cause delay in cases starting or progressing, one of which resulted in my highest award. This case suffered communication failures both of channel preference and delay.

Evidence

There has been process inconsistency in handling and availability of evidence causing issue. The move to evidence visibility in the Case Management System has caused issues where the process hasn’t been adhered to and parties have not had full visibility or updates.

Remedy Issues

These occur when a consumer reports that a remedy isn’t in place and there is a miscommunication or disconnect between the investigation officer and remedy team. Issues like this occur where process isn’t being followed consistently.

Problems with CMS

Consumers struggle to use the system and upload evidence. Issues can be technical or user based but are common on smaller tablets and outdated operating systems. In some cases system page content didn’t match PDFs and timeframes have been wrongly represented on the system ‘case clock’.

Meeting requests for reasonable adjustment

Very few cases reflect a reasonable adjustment not being met, most centre around communication issues. Letters sent for special formatting to meet adjusted needs are delayed so that dates are inaccurate leading to misunderstanding. There have also been complaints around inconsistency of meeting reasonable adjustment in decisions, but the rationale around the value placed on outcomes can be hard for consumers to understand.

Summary annual report of the Independent Assessor 2020 cont.

Other issues

Other issues cited have included problems where cases are submitted via Resolver, problems with record keeping and acceptance of decisions from postal customers.

Recommendations

My recommended actions this year included apologies, goodwill payments, costs, specific actions and internal review for lesson learning.

Goodwill Payments

The additional sum I awarded in 2020 was lower than 2019 at £3,015 [down from £4,480].

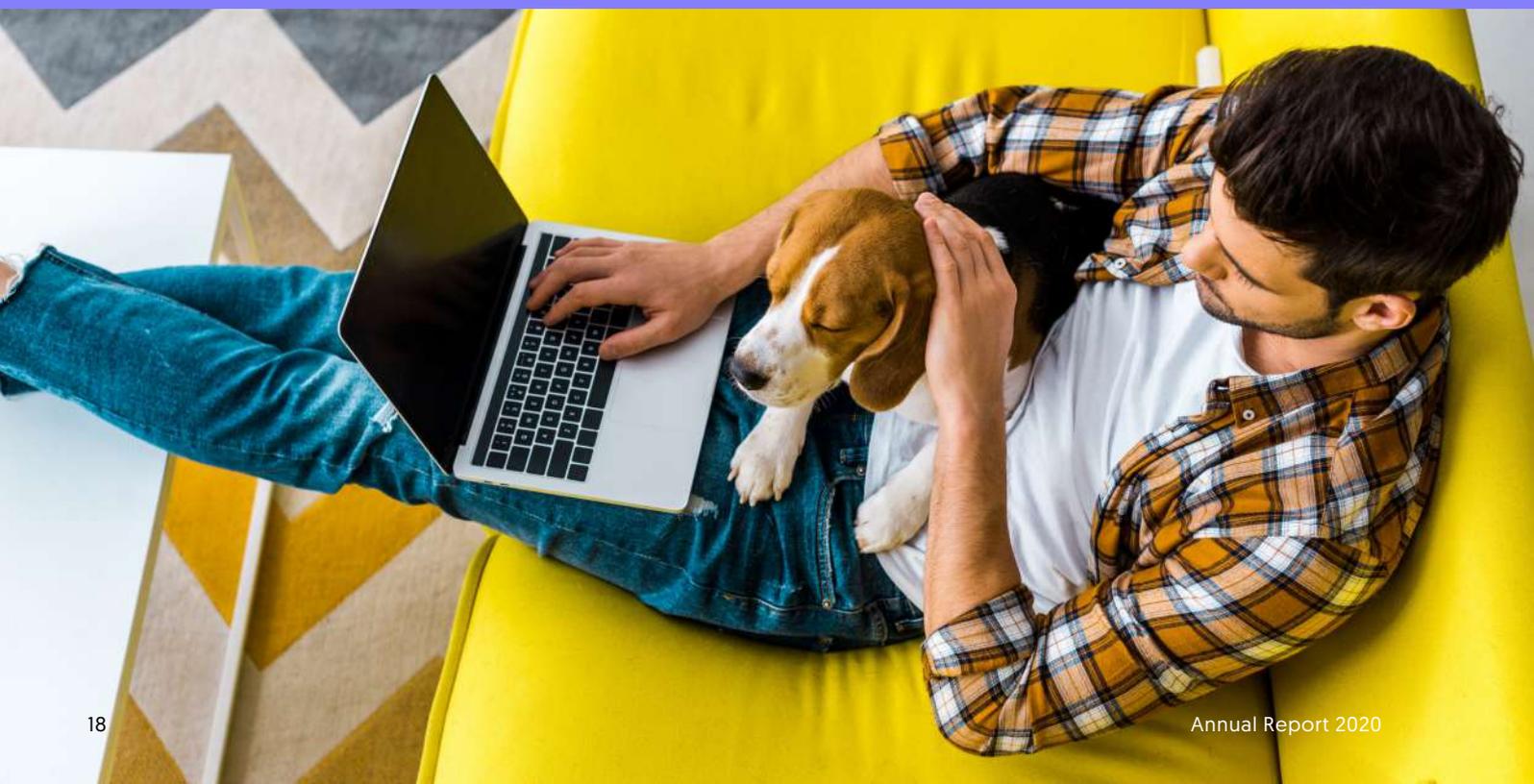
Whilst 2020 was a challenging year with the pandemic and switch to home working there was no reflection of this in the complaints I assessed. What I did note was a marked increase in aggressive, offensive and rude behaviour from consumers towards the Ombudsman Services team. This is a cause for concern in relation to their wellbeing.

In closing, I again thank the users of Ombudsman Services for bringing their concerns to me, and for their feedback.

Joanna Wallace

Joanna Wallace

Independent Assessor [February 2021]



Our priorities for 2021-2022

An informed, well-run, sustainable business

Continual investment in our infrastructure, research and training will ensure we have the technology, knowledge and capability to offer quicker, better attuned adaptable services to ensure we're a well-run, sustainable business now and into the future.

Clear and fair principles to promote fairness in the markets we serve

The energy and communication sector markets remain competitive; we understand that so we must remain fair and transparent in our decision making.

Firm, fair, flexible, resolutions that are right first time

We'll endeavour to ensure our decisions and recommendations are firm, fair, flexible in adapting to our consumers' needs and right the first time.

An influential, valued partner

Partnerships with member companies and key stakeholders such as regulators and trade bodies will strengthen; and we'll keep raising industry standards by positively influencing policies and research to benefit consumers.

An informed and qualified view of our future options

We'll support the UK government's sector's commitment to achieve net zero and become carbon neutral by offering our data, research and human insight, to benefit future generations whilst communicating with consumers to better understand their needs.

Values-based workforce, trusted and enabled to perform

A customer-centric business, we value our people and trust and empower them to perform to the best of their ability. Our community will strengthen so everyone believes "Together we are an Ombudsman".

Powered by secure, reliable systems

Technological transformation and new tools will strengthen our business infrastructure and security to ensure a well-run, secure business for now and into the future.

THE OMBUDSMAN SERVICE LIMITED

COMPANY INFORMATION

Directors

Dr M M Amos
Lord T F Clement Jones CBE
Mrs M L Ibbs
Mr B J Landers
Sir L W Lewis KCB
Miss L Tennant
Mr M J Vickers
Mr S A Palmer (Appointed 28 May 2020)

Company number 4351294

Registered office 3300 Daresbury Park
Daresbury
Warrington
WA4 4HS

Auditor MHA Moore and Smalley
Richard House
9 Winckley Square
Preston
PR1 3HP

THE OMBUDSMAN SERVICE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report and financial statements for the year ended 31 December 2020.

Review of the Business

As with many businesses, 2020 was dominated by the operational challenges caused by the COVID-19 pandemic and our main priorities at the start of the crisis were to mobilise the business quickly to ensure the continuity of our services and to help lessen the impact on our colleagues and consumers.

Our success in overhauling our IT platforms and infrastructure in recent years enabled us to deploy our business continuity plan seamlessly once the pandemic took hold, well before the majority of UK businesses. This meant that all colleagues were able to work from home from early March without a loss of service to customers.

Recognising the challenges faced by suppliers, we also liaised closely with Ofgem and Ofcom to adopt new ways of working to help suppliers bolster their own front-line operations and focus their resources on helping their consumers. There was also increased demand for our services in the second half of the year as more of our consumers worked from home and there was a natural focus on energy and broadband usage.

The pandemic has also been a testing time for our colleagues and we worked hard to support our people throughout 2020, implementing a number of colleague engagement and wellbeing initiatives. The Board is pleased to report that The Ombudsman Service Limited has now received formal accreditation as a 'Great Place to Work' based on its 2020 employee survey and has been included in the Top 50 of the UK's Best Workplaces for large companies.

Work on our new operating model continued during 2020 to ensure a better end to end consumer journey and a new operational leadership team was appointed to focus on the transition to the target operating model and implement the further structural and cultural changes planned for 2021. The Board is pleased that leaders have been appointed across the business who share our values of being balanced, open, courageous and empathetic.

Throughout 2020, we continued to develop our strategic options for the future. The Board have now approved three areas of strategic focus around Alternative Dispute Resolution (ADR) consolidation, diversification and the energy remit (which has not changed substantially since 2006). As the market moves from being commodity to service based, and with developments such as electric vehicles, we believe that there is more need than ever for consumer protection to keep pace with these advances.

In line with our strategic aims, we moved to a group structure following the launch of Lumin Tech Limited, a wholly owned subsidiary of The Ombudsman Service Limited in August 2020 as a commercial technology venture to support and develop our IT platform, reduce operating costs for the Ombudsman and develop commercial options for the future.

Despite the challenges of the pandemic, we have maintained momentum in our strategic planning as well as focussing on our people and supporting our customers throughout 2020.

Principal activities and business review

The Ombudsman Service Limited is a not-for-distributable-profit company which provides independent dispute resolution nationally for the energy and communications sectors. The business also administers the Parking on Private Land Appeals (POPLA) service on behalf of the British Parking Association.

Between January and December 2020, we handled just over 140,000 initial queries from consumers enquiring about our service. Of those cases which came within our terms of reference, we investigated and resolved 65,593 cases. The number of energy cases we received decreased by 11% in 2020, while communications cases decreased by 19% from the previous year, largely due to the impact of the pandemic.

The proportion of cases which were settled in 2020 remained consistent with the previous year at 21%.

THE OMBUDSMAN SERVICE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activities and business review (Continued)

Almost 42,000 decisions were issued by POPLA in 2020, a 34% decrease on 2019 following the suspension of the sector during the nationwide lockdowns of 2020. Due to the flexibility built into our operating model, we were able to redeploy the colleagues to energy and communications activities.

In summary, the combination of working differently and the increased challenges in all markets resulted in us falling behind on target. However, we recruited more colleagues and productivity recovered quickly – achieving, on average 95% of cases being resolved in twelve weeks or less. With all of the measures implemented, the Board is pleased to report that The Ombudsman Service Limited is making good progress in recovering its key performance indicators in the energy and communications sectors and is on track to achieve these by July 2021.

Results

The Ombudsman Service Limited recorded a surplus, after taxation, of £1,127,733 for the year. This is in line with the Board's intention of achieving a result that is between break-even and a surplus of up to 10% each year to ensure the Group remains sustainable.

The failure of energy suppliers continues to impact the Group's finances, with £303,000 of bad debt incurred in 2020. £283,000 (93%) of this related to Tonik Energy Limited, which went into administration in October 2020. The Group was able to absorb this bad debt due to the increase in volumes in the second half year and due to the work undertaken to maximise efficiency. As a result, the business had no need to mutualise these across the energy sector. The Directors continue to focus on cash collection and reducing aged debt to minimise this risk.

The Group has been able to maintain a level of reserves in line with the reserves policy set by the Board. The policy aims to cover a range of three to six months total costs in order to give the Group the ability to deal with sudden increases or decreases in case volumes, and to invest to sustain a quality service to all sectors.

Impact of Covid-19 on the business

Following analysis of the results, the business has concluded that there were two key reasons why key performance indicators were not achieved in both the energy and communications sectors. Firstly, we saw an increase in complaints for the struggling suppliers and, due to the processes we deploy with such businesses, it generated a higher workload in the back office. Secondly, productivity did reduce in the early part of the year as colleagues adapted to home working; this has since recovered to pre-Covid levels. Complaints were therefore taking longer to resolve with, on average 95% of cases being resolved in twelve weeks or less.

By the end of the year, the majority of issues were back within our control. A combination of increased use of outsourced services and increased recruitment placed the business in a better position to tackle the next financial year.

POPLA volumes have been impacted for the longest period, as activity was effectively suspended during the three national lockdowns.

The wellbeing of colleagues has been one of the main priorities for the Group during the pandemic and a number of measures were put in place to support colleagues' physical and mental health. The results from the employee survey indicate that this resulted in a 19% increase in the Great Place to Work score.

Customer satisfaction

The Board recognises the importance of delivering a positive customer experience for all parties that interact with The Ombudsman Service Limited and its complaint handling processes. We receive regular reports on satisfaction levels from both consumers and participating companies. We also receive feedback from the Independent Assessor and information on the deeper trends emanating from service complaints. We are pleased to report that customer satisfaction in 2020 remained high, despite the challenges of the pandemic.

To ensure that we are capturing the voice of our consumers in the best way, the business introduced a new customer experience platform in February 2020 which provides insight from consumers at each stage of the customer journey. The plan is to expand this tool to incorporate further channels in 2021 as we continue to embed our customer experience strategy and framework within the business.

THE OMBUDSMAN SERVICE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Risk

Risk Management forms part of the Board's system of governance contributing to and protecting the performance of the business. The Ombudsman Service Limited recognises that risk management is an important tool and therefore has a robust framework in place to facilitate controlled risk taking. This includes regular risk reviews by senior management, with the most significant corporate risks considered by the Audit and Risk Committee and Board as appropriate.

A key risk to the business is the variability in case volumes driven by factors which are outside its control, for example the uncertainty in the volume and profile of case volumes as a result of the pandemic. This risk is mitigated by on-going forecasting and planning to ensure the Group remains financially sound and is able to provide an effective service to all its stakeholders. A new Operational Support Unit has been put in place to manage increased volumes and assist with the recovery of key performance indicators.

The operational change risks will also be a continued focus for the Committee in the coming year, given the significant business transformation planned.

Internal audit

The Board recognises the need for independent assurance as part of the third line of defence, ensuring that first line management controls and the second line Risk and Compliance functions are operating effectively.

To ensure a continued robust system of internal audit, an in-house internal auditor was appointed in 2020 to provide independent assurance to the Audit and Risk Committee and the Board that risk management, governance and internal control processes across The Ombudsman Services Limited are operating effectively.

The Board, through the Audit and Risk Committee, have agreed a risk-based audit program for 2021 and will continue to monitor assurance needs and identify areas for focused review during the year.

Our people

The Board recognises that it is the Group's ongoing commitment to the wellbeing and development of our colleagues and the way we work that will ensure that The Ombudsman Service Limited emerges successfully from the pandemic and continues to pursue its goal of delivering a first class service to our consumers and stakeholders.

The wellbeing of colleagues and their families took on a renewed focus during 2020 and we expanded our existing wellbeing initiatives to include regular welfare calls, free access to online wellness and mental health resources such as Unum and the Unmind app, confidential individual support sessions through our partner 'Next Steps' and weekly wellbeing content on our internal communications platform.

We also introduced activities and events specifically designed to inspire and motivate colleagues as they attempted to balance work and home life, including inspirational guest speakers, coffee mornings and activities for children.

Our commitment to grow the skills of our people through investment in training and development continued in 2020 and we provided free LinkedIn Learning to all colleagues, which was underpinned by our successful 'Learning at Work' week.

THE OMBUDSMAN SERVICE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Our people (Continued)

Despite the challenges of 2020, we were pleased to receive confirmation in early 2021 that the results of our 2020 annual employee survey will see The Ombudsman Services Limited included in the Top 50 of the UK's Best Workplaces list for large companies after our 'Great Place to Work' Score increased by 19%. The business will continue to build on these impressive results with areas of focus already identified for improvement in the next 12 months.

Through the work of its Nominations and Remuneration Committees, the Board has continued to review its own effectiveness with Board succession planning a priority and the recruitment of new Board members underway. A benchmarking exercise on executive pay was also completed in 2020.

Equality and Diversity

The Ombudsman Service Limited is committed to equality of opportunity and respect for diversity and inclusion and the Board takes a very close interest in equality and diversity issues.

We aim to deliver our mission by building a more diverse, inclusive and accessible Group that better represents our colleagues, stakeholder groups and the communities within which we operate. Guided by the Board, which has set a clear objective of increasing the diversity of the Board itself, of our management team and of the organisation as a whole, we have set about bringing this work into sharper focus in 2021 with several foundational steps implemented to bring about real change, including the completion of our first diversity and inclusion survey of customers. We are also making changes to our data capture processes and systems for colleagues and consumers to ensure we have accurate reporting in place and to better understand the profile of our customers so that we can identify in particular groups who are not using our services in accordance with the proportion of the population which they comprise.

We have a focus on increasing our consumer reach to ensure that our services are accessible across UK society. To achieve a more diverse workforce and enhance our reputation as a fair and inclusive organisation, we have established a new People & Purpose directorate which will provide focus across the business on the Group's purpose and DNA. Work is ongoing to establish our various stakeholder profiles and develop our long-term diversity and inclusion strategy across the business.

The Board takes a close interest in ensuring that the Group has the right talent in the right roles, regardless of gender and The Ombudsman Service Limited continues to meet gender pay reporting requirements.

Health and safety

The Board recognises its obligation to safeguard health and safety and this has been a particular priority during the pandemic. Legal obligations are met through the strict adherence to our health and safety policy, setting safety objectives and suitable safeguards.

Ensuring that staff have all the equipment that they need to work from home has been a focus in 2020 and DSE assessments have been conducted with appropriate equipment provided to staff on an ongoing basis.

A Covid-19 risk assessment covering all aspects of Covid-19 safety within the building has been undertaken by an external risk consultant and we have taken all steps to ensure that the building is as Covid-19 secure as possible.

Mental Health has also been a key consideration during the pandemic with a variety of measures put in place to help all employees, including wellbeing calls, a specialist wellbeing app, virtual activities and family events.

We have 17 trained first aiders, 16 fire marshals, 6 DSE assessors and 19 colleagues trained to use Evacuation Chairs. The estates team are responsible for coordinating all associated activity and training, with further health and safety courses, including Mental First Aid, planned when on site working is re-established.

The Group has an external health and safety partner to provide specialist advice and support, along with accredited contractors to ensure compliance and an in-house estates team who promote best practice and ensure all relevant policies and procedures are adhered to.

THE OMBUDSMAN SERVICE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Environmental responsibility

The Board takes its environmental responsibilities seriously and is committed to reducing the impact the Group has on the environment.

The Board is pleased to report that The Ombudsman Service Limited continues to recycle 100% of its waste through our current waste removal service incumbents and continues to voluntarily work alongside a third-party contractor, Envantage, to complete a Greenhouse Gas (GHG) assessment to identify our carbon footprint and to explore solutions for offsetting.

We promote paperless working where possible and also use a number of bio-degradable alternative products on site. We will also continue to support car lift-sharing and participate in cycle-to-work schemes when on-site working resumes in 2021 in order to reduce the environmental impact of commuting.

The Group continues to look at ways we can improve our environmental impact.

Corporate social responsibility

The Board encourages all members of the business to actively support our local community. The Ombudsman Service Limited was proud to maintain its relationship with the Warrington Foodbank during 2020, which is a cause our colleagues feel passionately about and one that has become even more critical during the pandemic.

In addition to our work with the Foodbank, colleagues chose the Mind and Dementia UK charities to support during the year. The pandemic limited normal activities but colleagues continued to fundraise, and this was match-funded by the business.

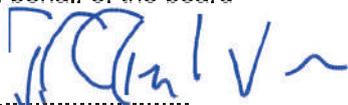
Like many organisations, the pandemic has prompted the business to reflect on its support activities and prioritise local causes which are aligned with our purpose. We will therefore actively seek out organisations to support that will allow the business to develop a deeper and richer relationship for colleagues and for the business.

Future developments

The most significant challenge faced by all businesses in the first half of 2021 is the continued impact of the Covid-19 pandemic. As explained above and in Note 1.4 to the Financial Statements, the Group is well-placed to manage the continued impacts of the pandemic and to continue its operations for the foreseeable future.

In the longer-term the Group's strategic planning process has identified some new possibilities and strategic options for the future. Central to these will be the core values of the Group and the role the Ombudsman plays in society - and ensuring this remains relevant in an ever-changing world.

On behalf of the board



.....
Lord T F Clement Jones CBE

Director

16/06/2021
.....

THE OMBUDSMAN SERVICE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company and group continued to be that of independent dispute resolution.

Results and dividends

The results for the year are set out on page 12.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr M M Amos

Lord T F Clement Jones CBE

Mrs M L Ibbs

Mr B J Landers

Sir L W Lewis KCB

Miss L Tennant

Mr M J Vickers

Mr S A Palmer

(Appointed 28 May 2020)

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor

The auditor, MHA Moore and Smalley, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

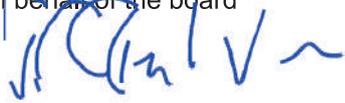
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

THE OMBUDSMAN SERVICE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board



.....
Lord T F Clement Jones CBE
Director

16/06/2021
.....

THE OMBUDSMAN SERVICE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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). 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 group and company, and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE OMBUDSMAN SERVICE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE OMBUDSMAN SERVICE LIMITED

Opinion

We have audited the financial statements of The Ombudsman Service Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE OMBUDSMAN SERVICE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE OMBUDSMAN SERVICE LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, is detailed below.

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions and future performance in light of the impact of Covid 19;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness; and

THE OMBUDSMAN SERVICE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE OMBUDSMAN SERVICE LIMITED

- Reviewing board minutes and resolutions

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law, compliance with regulator KPI's and compliance with the UK Companies Act.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Nicola Mason

Nicola Mason (Senior Statutory Auditor)
For and on behalf of MHA Moore and Smalley
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

24/06/2021
.....

THE OMBUDSMAN SERVICE LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | | 2020 | 2019 |
|--|--------------|--------------|--------------|
| | Notes | £ | £ |
| Turnover | 3 | 27,046,871 | 25,712,799 |
| Administrative expenses | | (26,079,908) | (26,086,805) |
| Operating surplus/(loss) | 4 | 966,963 | (374,006) |
| Interest receivable and similar income | 8 | 8,319 | 44,307 |
| Change in value of investments | 9 | 192,249 | 337,015 |
| Surplus before taxation | | 1,167,531 | 7,316 |
| Tax on surplus | 10 | (39,798) | (80,771) |
| Surplus/(loss) for the financial year | | 1,127,733 | (73,455) |

Surplus/(loss) for the financial year is all attributable to the parent company.

Total comprehensive income for the year is all attributable to the parent company.

THE OMBUDSMAN SERVICE LIMITED

GROUP AND COMPANY BALANCE SHEETS

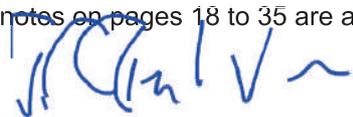
AS AT 31 DECEMBER 2020

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|--|-------|--------------------|--------------------|----------------------|--------------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | 358,277 | 1,045,203 | 358,277 | 1,045,203 |
| Tangible assets | 12 | 1,238,125 | 1,230,360 | 1,196,702 | 1,230,360 |
| Investments | 13 | 3,576,983 | 3,409,347 | 3,577,083 | 3,409,347 |
| | | <u>5,173,385</u> | <u>5,684,910</u> | <u>5,132,062</u> | <u>5,684,910</u> |
| Current assets | | | | | |
| Debtors | 15 | 4,892,596 | 6,222,661 | 4,981,929 | 6,222,661 |
| Cash at bank and in hand | | 7,839,163 | 4,078,135 | 7,836,384 | 4,078,135 |
| | | <u>12,731,759</u> | <u>10,300,796</u> | <u>12,818,313</u> | <u>10,300,796</u> |
| Creditors: amounts falling due within one year | 16 | <u>(4,309,699)</u> | <u>(3,242,420)</u> | <u>(4,389,430)</u> | <u>(3,242,420)</u> |
| Net current assets | | <u>8,422,060</u> | <u>7,058,376</u> | <u>8,428,883</u> | <u>7,058,376</u> |
| Total assets less current liabilities | | <u>13,595,445</u> | <u>12,743,286</u> | <u>13,560,945</u> | <u>12,743,286</u> |
| Creditors: amounts falling due after more than one year | | | | | |
| Provisions for liabilities | | | | | |
| Provisions | 18 | (841,879) | (871,225) | (841,879) | (871,225) |
| Deferred tax liability | 19 | (47,849) | (47,849) | (47,849) | (47,849) |
| | | <u>(889,728)</u> | <u>(919,074)</u> | <u>(889,728)</u> | <u>(919,074)</u> |
| Net assets | | <u>11,473,122</u> | <u>10,345,389</u> | <u>11,438,622</u> | <u>10,345,389</u> |
| Capital and reserves | | | | | |
| Income and Expenditure account | | <u>11,473,122</u> | <u>10,345,389</u> | <u>11,438,622</u> | <u>10,345,389</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own income and expenditure account and related notes. The company's surplus for the year was £1,093,234 (2019 - £73,455 deficit).

The financial statements were approved by the board of directors and authorised for issue on 16/06/2021 and are signed on its behalf by:

The notes on pages 18 to 35 are an integral part of these financial statements.



.....
Lord T F Clement Jones CBE
Director

Company Registration No. 4351294

THE OMBUDSMAN SERVICE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Income and Expenditure £ |
|---|--------------------------------|
| Balance at 1 January 2019 | 10,418,844 |
| Year ended 31 December 2019: | |
| Loss and total comprehensive income for the year | (73,455) |
| Balance at 31 December 2019 | 10,345,389 |
| Year ended 31 December 2020: | |
| Surplus and total comprehensive income for the year | 1,127,733 |
| Balance at 31 December 2020 | 11,473,122 |

THE OMBUDSMAN SERVICE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Income and Expenditure £ |
|--|--------------------------------|
| Balance at 1 January 2019 | 10,418,844 |
| Year ended 31 December 2019: Loss and total comprehensive income for the year | <u>(73,455)</u> |
| Balance at 31 December 2019 | <u>10,345,389</u> |
| Year ended 31 December 2020: Surplus and total comprehensive income for the year | <u>1,093,233</u> |
| Balance at 31 December 2020 | <u><u>11,438,622</u></u> |

THE OMBUDSMAN SERVICE LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 | | 2019 | |
|---|-------|------------------|-------------------------|------------------|-------------------------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from/(absorbed by) operations | 23 | | 4,467,614 | | (2,788,761) |
| Income taxes paid | | | (29,798) | | (25,625) |
| | | | <u>4,437,816</u> | | <u>(2,814,386)</u> |
| Net cash inflow/(outflow) from operating activities | | | | | |
| | | | 4,437,816 | | (2,814,386) |
| Investing activities | | | | | |
| Purchase of intangible assets | | (228,410) | | (346,459) | |
| Purchase of tangible fixed assets | | (481,310) | | (320,091) | |
| Proceeds on disposal of tangible fixed assets | | - | | 150,000 | |
| Proceeds on disposal of investments | | (167,636) | | (329,136) | |
| Receipts arising from loans made | | 192,249 | | 337,015 | |
| Interest received | | 8,319 | | 44,307 | |
| | | <u>(676,788)</u> | | <u>(464,364)</u> | |
| Net cash used in investing activities | | | | | |
| | | | (676,788) | | (464,364) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | | 3,761,028 | | (3,278,750) |
| Cash and cash equivalents at beginning of year | | | 4,078,135 | | 7,356,885 |
| | | | <u>7,839,163</u> | | <u>4,078,135</u> |
| Cash and cash equivalents at end of year | | | | | |
| | | | <u><u>7,839,163</u></u> | | <u><u>4,078,135</u></u> |

THE OMBUDSMAN SERVICE LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 | | 2019 | |
|---|-------|------------------|-------------------------|------------------|-------------------------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from/(absorbed by) operations | 24 | | 4,420,115 | | (2,788,761) |
| Income taxes paid | | | (29,798) | | (25,625) |
| | | | <u>4,390,317</u> | | <u>(2,814,386)</u> |
| Net cash inflow/(outflow) from operating activities | | | | | |
| | | | 4,390,317 | | (2,814,386) |
| Investing activities | | | | | |
| Purchase of intangible assets | | (228,410) | | (346,459) | |
| Purchase of tangible fixed assets | | (436,490) | | (320,091) | |
| Proceeds on disposal of tangible fixed assets | | - | | 150,000 | |
| Purchase of subsidiaries | | (100) | | - | |
| Proceeds on disposal of investments | | (167,636) | | (329,136) | |
| Receipts arising from loans made | | 192,249 | | 337,015 | |
| Interest received | | 8,319 | | 44,307 | |
| | | <u>(632,068)</u> | | <u>(464,364)</u> | |
| Net cash used in investing activities | | | | | |
| | | | (632,068) | | (464,364) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | | 3,758,249 | | (3,278,750) |
| Cash and cash equivalents at beginning of year | | | 4,078,135 | | 7,356,885 |
| | | | <u>7,836,384</u> | | <u>4,078,135</u> |
| Cash and cash equivalents at end of year | | | | | |
| | | | <u><u>7,836,384</u></u> | | <u><u>4,078,135</u></u> |

THE OMBUDSMAN SERVICE LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 | | 2019 | |
|---|-------|------------------|-------------------------|------------------|-------------------------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from/(absorbed by) operations | 24 | | 4,420,115 | | (2,788,761) |
| Income taxes paid | | | (29,798) | | (25,625) |
| | | | <u>4,390,317</u> | | <u>(2,814,386)</u> |
| Net cash inflow/(outflow) from operating activities | | | | | |
| | | | 4,390,317 | | (2,814,386) |
| Investing activities | | | | | |
| Purchase of intangible assets | | (228,410) | | (346,459) | |
| Purchase of tangible fixed assets | | (436,490) | | (320,091) | |
| Proceeds on disposal of tangible fixed assets | | - | | 150,000 | |
| Purchase of subsidiaries | | (100) | | - | |
| Proceeds on disposal of investments | | (167,636) | | (329,136) | |
| Receipts arising from loans made | | 192,249 | | 337,015 | |
| Interest received | | 8,319 | | 44,307 | |
| | | <u>(632,068)</u> | | <u>(464,364)</u> | |
| Net cash used in investing activities | | | | | |
| | | | (632,068) | | (464,364) |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| | | | 3,758,249 | | (3,278,750) |
| Cash and cash equivalents at beginning of year | | | 4,078,135 | | 7,356,885 |
| | | | <u>7,836,384</u> | | <u>4,078,135</u> |
| Cash and cash equivalents at end of year | | | | | |
| | | | <u><u>7,836,384</u></u> | | <u><u>4,078,135</u></u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

The Ombudsman Service Limited (“the company”) is a private limited company domiciled and incorporated in England and Wales. The registered office is 3300 Daresbury Park, Daresbury, Warrington, WA4 4HS.

The group consists of The Ombudsman Service Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company The Ombudsman Service Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group’s financial statements from the date that control commences until the date that control ceases.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.4 Going concern

The financial statements have been prepared on the going concern basis of accounting.

The Directors continue to assess the impact of the pandemic on all aspects of the business and measures have been taken to ensure the Group remains financially sound, whilst also providing the most appropriate service to consumers and participating companies in the current circumstances.

Specifically, the Group has been able to support full remote working and focus on the wellbeing of colleagues, together with ensuring the continued availability of the Group's services to all stakeholders, with a particular focus on the more vulnerable consumers.

Having considered the UK Government's response to the pandemic and its roadmap for the easing of restrictions, at the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Turnover

Turnover represents subscription and case fee income of the service and any costs recovered in setting up new ombudsman services.

Case fee income is recognised dependent on the progress of the case and the stage of completion at the period end.

Subscriptions are included in the financial statements as they become receivable or due.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------|-------------------------|
| Software | 33% - 50% straight line |
|----------|-------------------------|

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|---|
| Leasehold improvements | Over the period of the lease |
| Fixtures and fittings | 20% - 50% straight line |
| Computers | 33% straight line or over life of lease |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income and expenditure account.

1.8 Fixed asset investments

Equity investments are measured at fair value through surplus or deficit.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent it reverses a previous upwards revaluation.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in surplus or deficit, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through surplus and deficit, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in surplus or deficit.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in surplus or deficit.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

There are no other financial liabilities held by the Group.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

The Ombudsman Service Limited is only liable to taxation on its investment activities. Deferred tax is provided for on unrealised gains on the valuation of investments.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in surplus or deficit in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to surplus or deficit on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Fixed asset valuation

Fixed assets are initially recorded at cost and depreciated over their useful economic life. See accounting policy 1.5.

Useful economic life is based on the anticipated time that the asset will be in use by the company. This is based on historic experience and asset replacement policies.

Dilapidations provision

The dilapidations provision is based on an average cost per square metre for the property leased to provide an estimate of likely costs. This is based on historic experience of likely costs but the eventual cost may differ.

Onerous contract

There is a detailed plan in place to switch contract providers in relation to the case management system. The current contract is an onerous contract and as this will not be fully utilised in the future periods, a provision has been created that is based on the cost of the subscription, the minimum users tied into the contract and the length of the contract.

Bad debt provision

The bad debt provision is based on an estimate of how much is ultimately recoverable from debtors.

3 Turnover and other revenue

| | 2020 | 2019 |
|----------------------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Turnover | 27,046,871 | 25,712,799 |
| | <u> </u> | <u> </u> |
| | 2020 | 2019 |
| | £ | £ |
| Other significant revenue | | |
| Interest income | 8,319 | 44,307 |
| | <u> </u> | <u> </u> |

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit/(loss)

| | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Operating profit/(loss) for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 473,545 | 671,312 |
| Surplus on disposal of tangible fixed assets | - | (45,000) |
| Amortisation of intangible assets | 915,336 | 898,116 |
| Operating lease charges | 1,285,247 | 1,110,293 |
| | <u>1,674,128</u> | <u>1,674,721</u> |

5 Auditor's remuneration

| | 2020 | 2019 |
|--|---------------|---------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 11,339 | 12,460 |
| | <u>11,339</u> | <u>12,460</u> |
| For other services | | |
| Taxation compliance services | 1,065 | 500 |
| All other non-audit services | 1,500 | 1,500 |
| | <u>2,565</u> | <u>2,000</u> |

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| | Group 2020 Number | 2019 Number | Company 2020 Number | 2019 Number |
|-------------------------------|-------------------------|----------------|---------------------------|----------------|
| Management and administration | 432 | 449 | 428 | 449 |
| | <u>432</u> | <u>449</u> | <u>428</u> | <u>449</u> |

Their aggregate remuneration comprised:

| | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---------------------------------------|--------------------|-------------------|----------------------|-------------------|
| Wages and salaries | 13,279,388 | 12,806,170 | 13,094,883 | 12,806,170 |
| Social security costs | 1,261,387 | 1,275,477 | 1,239,569 | 1,275,477 |
| Pension costs | 517,403 | 512,357 | 514,550 | 512,357 |
| | <u>15,058,178</u> | <u>14,594,004</u> | <u>14,849,002</u> | <u>14,594,004</u> |
| Redundancy payments made or committed | 523,672 | 510,833 | 523,672 | 510,833 |
| | <u>15,581,850</u> | <u>15,104,837</u> | <u>15,372,674</u> | <u>15,104,837</u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 440,420 | 300,083 |
| Company pension contributions to defined contribution schemes | 32,101 | 21,027 |
| | <u>472,521</u> | <u>321,110</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019 - 6).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 208,822 | 184,250 |
| Company pension contributions to defined contribution schemes | 20,475 | 17,875 |
| | <u>229,297</u> | <u>202,125</u> |

8 Interest receivable and similar income

| | 2020 £ | 2019 £ |
|---------------------------|--------------|---------------|
| Interest income | | |
| Interest on bank deposits | 8,319 | 44,307 |
| | <u>8,319</u> | <u>44,307</u> |

9 Change in value of investments

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Fair value gains/(losses) on financial instruments | | |
| Change in value of investments | 192,249 | 337,015 |
| | <u>192,249</u> | <u>337,015</u> |

10 Taxation

| | 2020 £ | 2019 £ |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax on surplus for the current period | 39,798 | 17,151 |
| Adjustments in respect of prior periods | - | 15,771 |
| Total current tax | <u>39,798</u> | <u>32,922</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | - | 47,849 |
| Total tax charge | <u>39,798</u> | <u>80,771</u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Surplus before taxation | 1,167,531 | 7,316 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 221,831 | 1,390 |
| Adjustments in respect of prior years | - | 15,771 |
| Deferred tax charge on investment gain | - | 47,849 |
| Exempt activity | (182,033) | 15,761 |
| Taxation charge | 39,798 | 80,771 |

Ombudsman Services Limited is liable to corporation tax on its investment income but is exempt from corporation tax on Alternative Dispute Resolution activities, which are not considered to be trading activities for the purposes of taxation.

11 Intangible fixed assets

| Group | Software £ |
|------------------------------------|---------------|
| Cost | |
| At 1 January 2020 | 3,168,781 |
| Additions | 379,837 |
| Disposals | (151,427) |
| At 31 December 2020 | 3,397,191 |
| Amortisation and impairment | |
| At 1 January 2020 | 2,123,578 |
| Amortisation charged for the year | 915,336 |
| At 31 December 2020 | 3,038,914 |
| Carrying amount | |
| At 31 December 2020 | 358,277 |
| At 31 December 2019 | 1,045,203 |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

| 11 Intangible fixed assets | | (Continued) |
|------------------------------------|--|------------------|
| Company | | Software £ |
| Cost | | |
| At 1 January 2020 | | 3,168,781 |
| Additions | | 379,837 |
| Disposals | | (151,427) |
| At 31 December 2020 | | <u>3,397,191</u> |
| Amortisation and impairment | | |
| At 1 January 2020 | | 2,123,578 |
| Amortisation charged for the year | | 915,336 |
| At 31 December 2020 | | <u>3,038,914</u> |
| Carrying amount | | |
| At 31 December 2020 | | <u>358,277</u> |
| At 31 December 2019 | | <u>1,045,203</u> |

12 Tangible fixed assets

| Group | Leasehold improvements £ | Assets under construction £ | Fixtures and fittings £ | Computers £ | Total £ |
|------------------------------------|-----------------------------|--------------------------------|----------------------------|------------------|------------------|
| Cost | | | | | |
| At 1 January 2020 | 438,610 | 214,709 | 3,182,817 | 2,182,044 | 6,018,180 |
| Additions | 339,651 | - | 123,809 | 107,427 | 570,887 |
| Transfers | - | (89,577) | - | - | (89,577) |
| At 31 December 2020 | <u>778,261</u> | <u>125,132</u> | <u>3,306,626</u> | <u>2,289,471</u> | <u>6,499,490</u> |
| Depreciation and impairment | | | | | |
| At 1 January 2020 | 43,938 | - | 2,649,629 | 2,094,253 | 4,787,820 |
| Depreciation charged in the year | 87,015 | - | 300,400 | 86,130 | 473,545 |
| At 31 December 2020 | <u>130,953</u> | <u>-</u> | <u>2,950,029</u> | <u>2,180,383</u> | <u>5,261,365</u> |
| Carrying amount | | | | | |
| At 31 December 2020 | <u>647,308</u> | <u>125,132</u> | <u>356,597</u> | <u>109,088</u> | <u>1,238,125</u> |
| At 31 December 2019 | <u>394,672</u> | <u>214,709</u> | <u>533,188</u> | <u>87,791</u> | <u>1,230,360</u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

(Continued)

| Company | Leasehold improvements | Assets under construction | Fixtures and fittings | Computers | Total |
|------------------------------------|------------------------|---------------------------|-----------------------|-----------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2020 | 438,610 | 214,709 | 3,182,817 | 2,182,044 | 6,018,180 |
| Additions | 339,651 | - | 123,809 | 62,607 | 526,067 |
| Transfers | - | (89,577) | - | - | (89,577) |
| At 31 December 2020 | 778,261 | 125,132 | 3,306,626 | 2,244,651 | 6,454,670 |
| Depreciation and impairment | | | | | |
| At 1 January 2020 | 43,938 | - | 2,649,629 | 2,094,253 | 4,787,820 |
| Depreciation charged in the year | 87,015 | - | 300,400 | 82,733 | 470,148 |
| At 31 December 2020 | 130,953 | - | 2,950,029 | 2,176,986 | 5,257,968 |
| Carrying amount | | | | | |
| At 31 December 2020 | 647,308 | 125,132 | 356,597 | 67,665 | 1,196,702 |
| At 31 December 2019 | 394,672 | 214,709 | 533,188 | 87,791 | 1,230,360 |

13 Fixed asset investments

| | Notes | Group 2020 £ | 2019 £ | Company 2020 £ | 2019 £ |
|---|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 14 | - | - | 100 | - |
| Listed investments | | 3,576,983 | 3,409,347 | 3,576,983 | 3,409,347 |
| | | 3,576,983 | 3,409,347 | 3,577,083 | 3,409,347 |
| Listed investments included above: | | | | | |
| Listed investments carrying amount | | 3,576,983 | 3,409,347 | 3,576,983 | 3,409,347 |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Fixed asset investments (Continued)

Movements in fixed asset investments Group

| | Investments other than loans £ |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2020 | 3,409,347 |
| Valuation changes | 167,636 |
| | 3,576,983 |
| At 31 December 2020 | 3,576,983 |
| Carrying amount | |
| At 31 December 2020 | 3,576,983 |
| | 3,576,983 |
| At 31 December 2019 | 3,409,347 |

Movements in fixed asset investments Company

| | Shares in group undertakings £ | Other investments other than loans £ | Total £ |
|--------------------------|---|---|--------------------|
| Cost or valuation | | | |
| At 1 January 2020 | - | 3,409,347 | 3,409,347 |
| Additions | 100 | - | 100 |
| Valuation changes | - | 167,636 | 167,636 |
| | 100 | 3,576,983 | 3,577,083 |
| At 31 December 2020 | 100 | 3,576,983 | 3,577,083 |
| Carrying amount | | | |
| At 31 December 2020 | 100 | 3,576,983 | 3,577,083 |
| | 100 | 3,576,983 | 3,577,083 |
| At 31 December 2019 | - | 3,409,347 | 3,409,347 |

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|---------------------|-------------------|-------------------------|------------------|
| Lumin Tech Limited | England and Wales | Ordinary | 100.00 |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Debtors

| | Group 2020 | 2019 | Company 2020 | 2019 |
|---|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 3,347,713 | 5,352,636 | 3,347,713 | 5,352,636 |
| Other debtors | - | - | 89,333 | - |
| Prepayments and accrued income | 1,544,883 | 870,025 | 1,544,883 | 870,025 |
| | <u>4,892,596</u> | <u>6,222,661</u> | <u>4,981,929</u> | <u>6,222,661</u> |

16 Creditors: amounts falling due within one year

| | Group 2020 | 2019 | Company 2020 | 2019 |
|------------------------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Trade creditors | 610,061 | 243,680 | 585,554 | 243,680 |
| Corporation tax payable | 27,151 | 17,151 | 27,151 | 17,151 |
| Other taxation and social security | 1,264,234 | 612,412 | 1,174,560 | 612,412 |
| Other creditors | 113,926 | 110,938 | 331,691 | 110,938 |
| Accruals and deferred income | 2,294,327 | 2,258,239 | 2,270,474 | 2,258,239 |
| | <u>4,309,699</u> | <u>3,242,420</u> | <u>4,389,430</u> | <u>3,242,420</u> |

17 Creditors: amounts falling due after more than one year

| | Group 2020 | 2019 | Company 2020 | 2019 |
|------------------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Accruals and deferred income | 1,232,595 | 1,478,823 | 1,232,595 | 1,478,823 |
| | <u>1,232,595</u> | <u>1,478,823</u> | <u>1,232,595</u> | <u>1,478,823</u> |

Accruals and deferred income due after more than one year relates to the receipt of a lease premium which is being spread over the life of the lease.

18 Provisions for liabilities

| | Group 2020 | 2019 | Company 2020 | 2019 |
|----------------------------|----------------|----------------|-----------------|----------------|
| | £ | £ | £ | £ |
| Onerous contract provision | 320,200 | 409,245 | 320,200 | 409,245 |
| Dilapidations provision | 468,179 | 436,980 | 468,179 | 436,980 |
| Other provisions | 53,500 | 25,000 | 53,500 | 25,000 |
| | <u>841,879</u> | <u>871,225</u> | <u>841,879</u> | <u>871,225</u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Provisions for liabilities

(Continued)

Movements on provisions:

| Group | Onerous contract provision | Dilapidations provision | Other provisions | Total |
|-----------------------------------|----------------------------|-------------------------|------------------|----------------|
| | £ | £ | £ | £ |
| At 1 January 2020 | 409,247 | 436,980 | 25,000 | 871,227 |
| Additional provisions in the year | - | 31,199 | 30,000 | 61,199 |
| Utilisation of provision | (89,047) | - | (1,500) | (90,547) |
| At 31 December 2020 | <u>320,200</u> | <u>468,179</u> | <u>53,500</u> | <u>841,879</u> |

| Company | Onerous contract provision | Dilapidations provision | Other provisions | Total |
|-----------------------------------|----------------------------|-------------------------|------------------|----------------|
| | £ | £ | £ | £ |
| At 1 January 2020 | 409,247 | 436,980 | 25,000 | 871,227 |
| Additional provisions in the year | - | 31,199 | 30,000 | 61,199 |
| Utilisation of provision | (89,047) | - | (1,500) | (90,547) |
| At 31 December 2020 | <u>320,200</u> | <u>468,179</u> | <u>53,500</u> | <u>841,879</u> |

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

| Group | Liabilities 2020 | Liabilities 2019 |
|-------------|------------------|------------------|
| | £ | £ |
| Investments | <u>47,849</u> | <u>47,849</u> |

| Company | Liabilities 2020 | Liabilities 2019 |
|-------------|------------------|------------------|
| | £ | £ |
| Investments | <u>47,849</u> | <u>47,849</u> |

There were no deferred tax movements in the year.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Retirement benefit schemes

| | 2020 | 2019 |
|---|---------|---------|
| Defined contribution schemes | £ | £ |
| Charge to surplus or deficit in respect of defined contribution schemes | 517,403 | 512,357 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group 2020 | 2019 | Company 2020 | 2019 |
|----------------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Within one year | 860,000 | 860,000 | 860,000 | 860,000 |
| Between two and five years | 3,440,000 | 3,440,000 | 3,440,000 | 3,440,000 |
| In over five years | 860,000 | 1,720,000 | 860,000 | 1,720,000 |
| | <u>5,160,000</u> | <u>6,020,000</u> | <u>5,160,000</u> | <u>6,020,000</u> |

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2020 | 2019 |
|------------------------|-----------|-----------|
| | £ | £ |
| Aggregate compensation | 1,450,175 | 1,068,666 |

The remuneration of key management personnel is set by the Remuneration Committee and is benchmarked against remuneration of similar sized companies according to data provided by Towers Watson.

There is no overall controlling party of the company.

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Cash generated from/(absorbed by) group operations

| | 2020 £ | 2019 £ |
|--|------------------|--------------------|
| Surplus/(deficit) for the year after tax | 1,127,733 | (73,455) |
| Adjustments for: | | |
| Taxation charged | 39,798 | 80,771 |
| Investment income | (8,319) | (44,307) |
| Gain on disposal of tangible fixed assets | - | (45,000) |
| Amortisation and impairment of intangible assets | 915,336 | 898,116 |
| Depreciation and impairment of tangible fixed assets | 473,545 | 671,312 |
| Change in value of investments | (192,249) | (337,015) |
| Decrease in provisions | (29,346) | (329,414) |
| Movements in working capital: | | |
| Decrease/(increase) in debtors | 1,330,065 | (2,434,150) |
| Increase/(decrease) in creditors | 811,051 | (1,175,619) |
| Cash generated from/(absorbed by) operations | <u>4,467,614</u> | <u>(2,788,761)</u> |

24 Cash generated from/(absorbed by) operations - company

| | 2020 £ | 2019 £ |
|--|------------------|--------------------|
| Surplus/(deficit) for the year after tax | 1,093,233 | (73,455) |
| Adjustments for: | | |
| Taxation charged | 39,798 | 80,771 |
| Investment income | (8,319) | (44,307) |
| Gain on disposal of tangible fixed assets | - | (45,000) |
| Amortisation and impairment of intangible assets | 915,336 | 898,116 |
| Depreciation and impairment of tangible fixed assets | 470,148 | 671,312 |
| Change in value of investments | (192,249) | (337,015) |
| Decrease in provisions | (29,346) | (329,414) |
| Movements in working capital: | | |
| Decrease/(increase) in debtors | 1,240,732 | (2,434,150) |
| Increase/(decrease) in creditors | 890,782 | (1,175,619) |
| Cash generated from/(absorbed by) operations | <u>4,420,115</u> | <u>(2,788,761)</u> |

THE OMBUDSMAN SERVICE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Analysis of changes in net funds - group

| | 1 January 2020 £ | Cash flows £ | 31 December 2020 £ |
|--------------------------|---------------------------------|-------------------------|-----------------------------------|
| Cash at bank and in hand | 4,078,135 | 3,761,028 | 7,839,163 |

26 Analysis of changes in net funds - company

| | 1 January 2020 £ | Cash flows £ | 31 December 2020 £ |
|--------------------------|---------------------------------|-------------------------|-----------------------------------|
| Cash at bank and in hand | 4,078,135 | 3,758,249 | 7,836,384 |

