Parent of 03236531

Atalian Servest Holdings Limited

Report and financial statements

For the period ended 31 December 2018

Company number: 11278510

Atalian Servest Holdings Limited
Report and Financial Statements
for the period ended 31 December 2018

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Atalian Servest Holdings Limited
Company Information
for the period ended 31 December 2018

Board of Directors	K. J. Fine R.A. Legge M. De Baynast de Septfontaines
Registered Office	Warehouse W 3 Western Gateway London E16 1BD
Independent Auditors	PricewaterhouseCoopers LLP St John's Innovation Park The Maurice Wilkes Building Cowley Road Cambridge CB4 0DS

Atalian Servest Holdings Limited

Strategic Report

for the period ended 31 December 2018

The Directors present their first strategic report and financial statements for the period ended 31 December 2018.

Business review and development of the business

Atalian Servest Holdings Limited (the "Company) was incorporated on 27 March 2018 to facilitate the acquisition of Atalian Servest Group Holdings (formerly Servest Limited) in May 2018. The Company is an indirect subsidiary of La Financière Atalian S.A.S, a global organisation, employing in excess of 125,000 people with €2.7bn in turnover across operations in Europe, North America, Asia and Africa. They are experts in facilities management, creating environments, which enable people to deliver 'future fit' solutions to help organisations to be more efficient, effective and sustainable. Operating 32,000 customer sites across four continents and a diverse range of sectors, including corporate, central and local government, universities, hotel, manufacturing, transport, logistics, construction and infrastructure, they self-deliver a comprehensive range of services from mechanical and electrical maintenance, fabric maintenance, special projects and energy management to airport services, catering, security, cleaning, concierge, landscaping, and waste management, and everything in between, allowing our customers to focus on their core business.

To facilitate the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited), shares were issued in the Company totalling £216.9m and an intercompany loan of £338.1m from the ultimate parent company, La Financière Atalian S.A.S was received. Part of this intercompany loan was provided to facilitate the additional investment in Bottega InvestCo S.À R.L. A third-party invoice discounting facility was also taken out by the Group during December 2018 which is the only external debt held by the Group.

As part of the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited), the Group repaid all external borrowing and therefore expensed all capitalised borrowing costs remaining from previous financing totalling £6.0m as well as paying penalty fees of £7.5m associated with the early payback of borrowings from the previous providers. These are non-underlying items as they are not expected to occur in subsequent years and have been presented as such in the statement of profit or loss.

Atalian Servest Holdings Limited and its subsidiaries (the "Group") goal is to become one of the top five total facilities management providers in the UK. Since the original UK Group entered the IFM.net's top 50 companies independent ranking programme in 2011, a ranking which is based on total revenue, the Group has continued to make excellent progress and break into the top 10. Following the acquisition of 100% of the share capital of Atalian Servest Group Holdings Limited (formerly Servest Limited) in May 2018, the Group has generated £484.5m of revenue through both strong organic growth and the completion of multiple acquisitions to broaden both our service density and sector coverage.

The organic growth achieved by the Group comprises a number of significant contract wins, many of which commenced during the period. As a result, we are anticipating a strong level of organic growth during the remainder of 2019, due to the full year impact from these contract wins, as well as further new contract wins during 2019. The continued success of growing turnover organically can be attributed to our exceptional level of service delivery combined with further development of our facilities management offering and broadening our range of services delivered to new and existing customers.

In July 2018, the Group made a further investment into Bottega InvestCo S.À R.L., in doing so increasing the Group's shareholding from 27.4% to 27.9%. This company is the owner of the Getronics group, a global ICT integrator that provides a diverse range of IT services across 22 counties. This additional investment has helped facilitate the purchase of Pomeroy, one of the leading U.S. providers of digital workplace transformation services. This has strengthened the Group's foothold in the developing tech space which is seen as a key development area and opportunity for growth within the facilities management sector.

Tight cost control has been maintained throughout the period and as a result gross profit margins are at 15.5% for the period. The Group is focussed on high margin activities, working efficiently across the group and increasing the number of services provided to customers. We have also adopted a policy of centralising support service functions for any acquired businesses to ensure that overheads continue to be well controlled.

Business review and development of the business (continued)

We are continuing to show good rates of cash generation and cash receipts from customers represented 81% of turnover in 2018. The Group generated £57.2m of cash from operations in 2018. The Group and Company are both in a healthy position with net assets of £183.2m and £217.0m respectively. For the Group, this consists of £369.3m of goodwill relating to the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited) and £356.1m of borrowings that have been discussed above. The Company's net assets are predominantly made up of a £227.4m investment in Atalian Servest Group Holdings Limited (formerly Servest Limited) and £289.4m of borrowings from the ultimate parent company, La Financière Atalian S.A.S.

Key performance indicators

The loss for the year of £33.5m is mainly down to a number of one-off costs and associated expenses relating to the purchase of Atalian Servest Group Holdings Limited (formerly Servest Limited) in the period. These are discussed further in note 8.

The Group manages its operations on a divisional basis. For this reason, the Company's Directors do not believe that non-financial performance indicators are necessary for an appropriate understanding of the performance and position of the business.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are considered to be:

- Macro-economic factors;
- Non-compliance with applicable legislation and governance;
- Customer and contract losses;
- Retention and incentivisation of key management;
- *Financial risks such as credit risk and bad debts; and*
- Availability of capital to fund growth.

Macro-economic factors

General economic conditions can adversely affect the Group's financial and operational performance in a number of ways. The uncertainty caused by Brexit, for example, has led some businesses to relocate outside of the UK and has caused others to either reduce the scope of the services they outsource or even pursue in-sourcing solutions, all of which reduces market demand for the Group's services. Periods of recession and downturn can put pressure on the prices customers are willing to pay and/or the payment terms that they are willing to offer. Difficult economic conditions can also lead to increased competition from other facilities management providers, as larger competitors look to encroach into the medium-size customer segment in which the Group mainly operates.

The Group manages these risks as well as it can by carrying out dedicated analysis and planning where needed. For example, the impact of Brexit on the Group is evaluated by a cross-functional Brexit working party mandated to review and monitor Brexit related risks and to ready the business for the likely impact of exiting the European Union. The Brexit working party has carried out impact assessments on various sections of the Group's business, has evaluated risk exposure through the Group's supply chain and received presentations from key suppliers around their own Brexit planning, has taken steps to engage with its employee base to raise awareness of the Home Office's settlement scheme and associated guidance and tracks Brexit specific risks via a dedicated Brexit risk register. The Group also targets a diverse customer base so as to reduce the effect of a sector or industry specific economic issue that could potentially cause a reduction in sales or an increase in costs.

Non-compliance with applicable legislation and governance

Compliance with laws and regulations is of utmost importance to the Group, especially those laws and regulations centred around health and safety given our "people first" approach. Failure to comply with laws and regulations could irreparably damage the Group's reputation and undermine relationships with its customers, as well as exposing the Group to prosecution and/or fines.

As a result, the Group has invested in specific people resource to aid and guide the business through what is a complex and changeable legislative and regulatory landscape. The Group's Quality, Health, Safety and Environment team was bolstered by additional specialisms following the acquisition of Thermotech Solutions Limited, and particular investment was made during the period into dedicated resource to ensure the Group's compliance with the Data Protection Act 2018 from when it came into force in May 2018. Effort will continue to be directed to assessing the impact of new developments in legislation and regulation as and when they occur, and to reviewing the Group's process, procedures and training needs in light of the same.

Principal risks and uncertainties *(continued)*

Non-compliance with applicable legislation and governance (continued)

During the period, the Group experienced a breakdown of internal controls within its Projects/Technical Services division. This resulted in a delay to the ultimate parent company, La Financière Atalian S.A.S, releasing their external reporting to the market. Management have undertaken a full review of the circumstances of the breakdown, using external advisers to support them. The Directors are confident that an improved control environment has been implemented, such that the risk of reoccurrence has been sufficiently mitigated.

Emphasis is also placed on compliance with applicable anti-corruption and anti-bribery laws (including the Bribery Act 2010) and with laws codifying ethical and social justice obligations (including the Modern Slavery Act 2015). The Group is committed to acting ethically and with the integrity in all business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure that corrupt and unethical behaviours play no part in the Group's operations. Since the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited) by the Group, the Group's anti-corruption programme (which includes policies, statements, e-learning training modules, standard declarations of interest and gifts and hospitality registers and so on) has merged to be consistent with that deployed throughout the global Atalian organisation, headed by La Financière Atalian S.A.S (allowing the Group to benefit from the learning and experience of the dedicated global Compliance team). All senior employees and employees with a particular exposure to the risk of bribery (the Procurement team, for example) have undertaken refreshed training during 2018. In relation to the Procurement team and the management of the Group's suppliers, the Group is committed to the responsible sourcing of goods and services. The Group's purchasing processes look to ensure that each supplier from whom goods or services are purchased are treating their workers fairly, with respect for human rights and personal health and safety. Suppliers are required to complete a vendor prequalification process to identify any shortcomings, and suppliers who do become approved suppliers are kept under review (with fuller audits taking place where needed).

Customer and contract losses

The Group recognises the ongoing challenge to deliver quality services to customers at competitive rates and we have demonstrated our capabilities in this area through the organic growth within our existing customer base and our success in winning new contracts. We are focussed on entering into contracts that will perform well financially by, amongst other things, maintaining a low level of operational gearing within the profit and loss account and by recognising the factors that are likely to result in cost increases during the life of our contracts (such as minimum wage increases) and looking to include contractual mechanisms to pass such costs back to the relevant customer by way of a price increase in order to avoid loss of margin.

This drive to enter into strong, profitable contracts helps to provide the best foundation from which our operational teams can take on the mantle and deliver service excellence as, once mobilised, we need to be confident we can ensure that the Group performs its contractual obligations so as to meet customer expectations. Failure to do so would expose the Group to the risk of customer and contract losses (either during the term of a contract or on renewal) and could even prevent the Group from bidding for new opportunities within the public sector (a sector in which the Group has a significant presence as a facilities management service provider). In terms of the steps taken pre-contract commencement to mitigate this risk, the establishment of a robust contract review and bid sign-off process allows for rigorous checking and challenge of solutions and pricing models which in itself substantially mitigates this risk, complemented by a detailed mobilisation process upon contract aware. In terms of the steps taken post-contract commencement to mitigate this risk, our experienced and capable operational teams are trained to run contracts both to budgets and to contract terms, and they work to develop strong relationships with our customers in order to remain the supplier of choice. Financial and operational performance of contracts is closely monitored and reviewed on a monthly basis at Board level.

In relation to contracts operated by companies acquired by the Group, checks are carried out during the due diligence stage of the acquisition process in order to assess the profitability of such contracts and to identify obligations, risks and performance considerations. The financial aspects of the target company's material contracts are assessed both by the Group's internal M&A team and by external financial advisors. By following a robust acquisition process, the Directors can be comfortable of the suitability of the target company when considering the strategy and vision for the wider Group.

Retention and incentivisation of key management

Retention and incentivisation of key management is seen as a key risk to the Group in terms of ensuring the business has the appropriate depth of talent to support plans for growth. With this in mind we implemented new remuneration policy as well as introducing new benchmarked incentive structures to facilitate both the retention of existing talent and the attraction of new talent to the business. One of the key ways for us to achieve this is through the introduction of a number of accredited employee development programmes.

Atalian Servest Holdings Limited

Strategic Report *(continued)*
for the period ended 31 December 2018

Principal risks and uncertainties *(continued)*

Financial risks

The Group's operations are exposed to several financial risks, primarily credit risk, interest rate risk and availability of capital to fund future growth (the latter has been referenced as a separate risk and commented on in more detail below). These have been mitigated to a degree by the refinancing undertaken during the period to a six-year fixed rate debt instrument along with an additional four-year fixed rate debt instrument that was secured during the period by the ultimate parent company, La Financière Atalian S.A.S. This financing has in turn been passed down to the Group at a fixed rate and term which has helped reduce, to a low level, any uncertainty regarding interest rate risk or credit risk. The Group's risk management programme dictates that there is regular monitoring and management of these risks in order to protect the Group against their potential adverse effects.

Please see note 29 for further information regarding our management of credit risk, market risk, interest rate risk and liquidity risk.

Availability of capital

Our approach to financing is to fund our acquisitive growth through a combination of debt and equity. As part of our financing procedures we produce extensive forecasts with sensitivity levels built into these to ensure that we can meet our debt and trading commitments as they fall due. The financial risks around availability of capital are very minimal as the Group is funded by the ultimate parent company, La Financière Atalian S.A.S (with the exception of the working capital facility in place).

All of the above risks and uncertainties are kept under constant review by the Board on a day to day basis and also via monthly board meetings. The Directors are confident that the business maintains robust risk control and review procedures and that all applicable risk is managed to an acceptable level.

Future outlook

The business continues to grow significantly by; outperforming market growth and gaining market share as a result of our excellent reputation; having a high standard of service and focusing on providing a broad range of facilities management services. The Directors believe that this trend will continue for the remainder of 2019 with a strong pipeline in place and a number of further potential acquisition opportunities being considered. Our business growth has been complemented by a robust marketing strategy aligned to our key target sectors. Working with our partner clients and operational leaders, we have won coveted awards. We will continue our high service delivery expectations and forging strong partner relations by competing for more awards in areas such as service delivery, sustainability and technology.

Our key objective continues to be targeting bundled and total facilities management contracts to capitalise on the number of service lines we can offer and our strong self-delivered capabilities across multiple and varying sectors. In addition to this, the business is focused on expanding into new sectors, something we have been particularly successful at in the current period with contract wins in several new sectors such as education, enhancing our share in transport, healthcare and hospitality sectors.

The Directors believe that the Group is well placed to achieve our growth plans in a sustainable and profitable way during the remainder of 2019 and beyond.

This report was approved by the Board and signed on its behalf by

R.A. Legge
Director

Date: 3rd October 2019

Atalian Servest Holdings Limited
Directors' Report
for the period ended 31 December 2018

The Directors present their first Directors' report and the audited financial statements for the period ended 31 December 2018.

Principal activities

The Company's principal activity was that of a holding company.

The Group's principal activity during the period was that of a facilities management provider.

Results and dividends

The loss for the period, after taxation, amounted to £33.7m.

The Directors do not recommend the payment of a dividend during the period.

Directors

The Directors who served during the period and up to the date of signing the financial statements were:

K. J. Fine
R.A. Legge
M. De Baynast de Septfontaines
F. Aimé (resigned 22 May 2019)
S. Vermersch (resigned 24 May 2019)

Financial instruments

Please refer to the financial assets and liabilities note to the financial statements (note 29).

Political donations

No political donations were made in the period.

Employee involvement

Information is provided to employees through regular meetings. Employees are encouraged to give their views to management as the need arises. Staff are kept informed of the financial and economic factors affecting the Group's performance by regular meetings. The Group is committed to pursuing equality and diversity in all its activities. To the extent possible, people with disabilities are offered the same employment opportunities as other employees. Employees are regularly updated on performance against the Group's strategy and the Directors are aware of the benefits in ensuring a comprehensive understanding of employee's views.

Disabled employees

The Company gives full and fair consideration to the employment of disabled persons, having regard to their aptitudes and abilities. Continuing employment and training is provided wherever possible for any employee who, for any reason, becomes disabled. Opportunities are available to disabled employees for training, career development and promotion.

Post balance sheet events

There are no material post balance sheet events that have been identified.

Strategic report

The Directors have included a business review within the Strategic Report. Also included in the Strategic Report are details of future developments of the Company, the principal risks and uncertainties and a review of the key performance indicators as assessed by the Directors.

Going concern

The Group made a loss for the period. However, this performance is being funded through the Company's treasury arrangement with other La Financière Atalian S.A.S group companies which enables the Company to meet its liabilities as they fall due. The Group has received a letter of support from its ultimate parent company, La Financière Atalian S.A.S.

On the basis of their assessment of the Group's financial position, including the availability of funding from the treasury function managed by the ultimate parent company, the Directors have reasonable expectations that the Group will be able to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

Atalian Servest Holdings Limited

Directors' Report *(continued)*
for the period ending 31 December 2018

Directors' responsibilities

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 profit or loss of the Group and company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the period, and to the date of signing the financial statements, Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the period and remain in force.

Provision of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

This report was approved by the board and signed on its behalf.

R.A. Legge
Director

Date 3rd October 2019

Independent Auditors' Report to the Members of Atalian Servest Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Atalian Servest Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss and cash flows for the period from 27 March 2018 to 31 December 2018 (the "period");
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2018; the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the period from 27 March 2018 to 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent Auditors' Report to the Members of Atalian Servest Holdings Limited *(continued)*

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andy Grimbly (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
3 October 2019

Atalian Servest Holdings Limited
Consolidated Statement of Profit or Loss
for the period ended 31 December 2018

	Note	Business performance £m	Non-underlying items[1] £m	IFRS Total £m
		Period from 27 March 2018 to 31 December 2018		
Revenue	3	484.5	-	484.5
Cost of sales		(409.6)	-	(409.6)
Gross profit		**74.9**	**-**	**74.9**
Administrative expenses		(61.5)	(13.0)	(74.5)
Operating profit	4	**13.4**	**(13.0)**	**0.4**
Share of net loss in associate		(9.9)	-	(9.9)
Finance income	10	0.5	-	0.5
Finance costs	9	(14.7)	(13.5)	(28.2)
Loss before taxation		**(10.7)**	**(26.5)**	**(37.2)**
Income tax	11			3.7
Loss for the period				**(33.5)**

All losses are attributable to equity holders of the parent company

The notes on pages 18 to 51 form part of these financial statements.

[1] Non-underlying items are described in note 8

Atalian Servest Holdings Limited
Consolidated Statement of Comprehensive Income
for the period ended 31 December 2018

	Note	Period from 27 March 2018 to 31 December 2018 2018 £m
Loss for the financial period		(33.5)
Other comprehensive Income/(expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit plans	28	0.2
Defined benefit pension plan surplus not recognised	28	(0.4)
Other comprehensive expense for the period, net of tax		(0.2)
Total comprehensive expense for the period		**(33.7)**

All comprehensive expense is attributable to equity holders of the parent company.

The notes on pages 18 to 51 form part of these financial statements.

Atalian Servest Holdings Limited
Consolidated Statement of Financial Position
as at 31 December 2018

	Note	2018 £m
Assets		
Non-current assets		
Intangible assets	12	61.8
Goodwill	13	369.3
Property, plant and equipment	14	37.2
Investments accounted for using the equity method	16	78.3
Other loans and receivables	20	5.9
Deferred tax assets	23	2.4
Total non-current assets		**554.9**
Current assets		
Inventories	17	4.2
Contract assets	3	41.1
Trade receivables	18	85.1
Other receivables	19	9.0
Cash and cash equivalents	25	10.6
Total current assets		**150.0**
Total assets		**704.9**
Liabilities		
Non-current liabilities		
Borrowings	22	(356.1)
Lease liabilities	15	(7.2)
Deferred tax liabilities	23	(9.8)
Total non-current liabilities		**(373.1)**
Current liabilities		
Trade and other payables	21	(112.0)
Contract liabilities	3	(14.3)
Borrowings	22	(18.1)
Lease liabilities	15	(4.2)
Total current liabilities		**(148.6)**
Total liabilities		**(521.7)**
Net assets		**183.2**
Equity		
Share capital	24	216.9
Accumulated losses		(33.7)
Total equity		**183.2**

The financial statements on pages 11 to 51 were approved and authorised for issue by the Board and were signed on its behalf by

R.A. Legge
Director
Date 3rd October 2019
Company Number: 11278510
The notes on pages 18 to 51 form part of these financial statements.

Atalian Servest Holdings Limited
Company Statement of Financial Position
as at 31 December 2018

	Note	2018 £m
Assets		
Non-current assets		
Investments	16	227.4
Other loans and receivables	20	284.8
Total non-current assets		**512.2**
Total assets		**512.2**
Liabilities		
Non-current liabilities		
Borrowings	22	289.4
Total non-current liabilities		**289.4**
Current liabilities		
Trade and other payables	21	5.8
Total current liabilities		**5.8**
Total liabilities		**295.2**
Net assets		**217.0**
Equity		
Share capital	24	216.9
Accumulated losses		*0.1*
Shareholders' funds		**217.0**

The notes on pages 18 to 51 form part of these financial statements.

No profit and loss account is presented by the Company, as permitted under section 408 of the Companies Act 2006. The profit of the Company for the period ended 31 December 2018 was £0.1m.

The financial statements on pages 11 to 51 were approved and authorised for issue by the Board and signed on its behalf by

R.A. Legge
Director
Date: 3rd October 2019

Atalian Servest Holdings Limited
Consolidated Statement of Changes in Equity
for the period ended 31 December 2018

	Note	Share capital £m	Accumulated losses £m	Total equity £m
Balance at 27 March 2018		-	-	-
Loss for the period		-	(33.5)	(33.5)
Other comprehensive expense	28	-	(0.2)	(0.2)
Total comprehensive expense for the period		**-**	**(33.7)**	**(33.7)**
Transactions with owners				
Issue of share capital		216.9	-	216.9
Balance at 31 December 2018		**216.9**	**(33.7)**	**183.2**

The notes on pages 18 to 51 form part of these financial statements.

Atalian Servest Holdings Limited
Company Statement of Changes in Equity
for the period ended 31 December 2018

	Note	Share capital £m	Accumulated losses £m	Total equity £m
Balance at 27 March 2018		-	-	-
Loss for the period		-	0.1	0.1
Total comprehensive expense for the period		**-**	**0.1**	**0.1**
Transactions with owners				
Issue of share capital		216.9	-	216.9
Balance at 31 December 2018		**216.9**	**0.1**	**217.0**

The notes on pages 18 to 51 form part of these financial statements.

Atalian Servest Holdings Limited
Consolidated Statement of Cash Flows
For the period ended 31 December 2018

	Note	2018 £m
Cash flows from operating activities		
Cash receipts from customers		392.6
Cash paid to suppliers and employees		(335.4)
Cash generated from operations		57.2
Interest paid		(18.2)
Net cash inflow from operating activities		**39.0**
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	14	(8.7)
Payment for equity investment in associate	16	(21.2)
Payment for acquisition of subsidiaries, net of cash acquired	26	(331.9)
Proceeds from the sale of property, plant and equipment		1.1
Net cash outflow from investing activities		**(360.7)**
Cash flows from financing activities		
Proceeds from borrowings	22	338.1
Principal element of lease payments	15	(3.2)
Repayment of borrowings	22	(5.0)
Net cash inflow from financing activities		**329.9**
Net decrease in cash and cash equivalents		**8.2**
Cash and cash equivalents at beginning of period		-
Net cash and cash equivalents at period end	25	**8.2**

The notes on pages 18 to 51 form part of these financial statements.

1. Accounting policies

General information

Atalian Servest Holdings Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Servest House, Heath Farm Business Centre, Tut Hill, Fornham All Saints, Bury St. Edmunds, Suffolk, IP28 6LG. The registered number of the Company is 11278510.

The financial statements are prepared in sterling which is the presentational currency of the Group and rounded to the nearest £0.1 million except where otherwise indicated.

Basis of preparation

The consolidated financial statements of Atalian Servest Holdings Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and the Companies Act 2006 as applicable to companies using IFRS. The company financial statements of Atalian Servest Holdings Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The consolidated and company financial statements have been prepared on the going concern basis under the historical cost convention except for the following items, both of which are accounted for at fair value:

- Contingent consideration
- Derivatives
- Net defined benefit pension scheme asset

The consolidated financial statements include the results of all subsidiaries of Atalian Servest Holdings Limited as listed on page 37 to 39.

The preparation of financial statements in conformity with IFRS and FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out in note 2. The Directors consider that the accounting policies set out below are the most appropriate.

IAS 1 permits an entity to present additional information for specific items to enable users to assess the underlying financial performance. In practice these items are commonly referred to as 'specific' or 'non-underlying' items although such terminology is not defined in IFRS and accordingly there is a level of judgement required in determining what items to separately identify. The Board has adopted a policy to separately disclose those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed

Items within non-underlying include intangible amortisation, asset impairments, contingent consideration movements, acquisition expenses and specific non-recurring items in the statement of profit or loss which, in the Directors' judgement, need to be disclosed separately (see note 8) by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business. This policy is reviewed by the Board of Directors on an on-going basis.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

Equivalent disclosures are given in the consolidated financial statements of Atalian Servest Holdings Limited.

Accounting policies *(continued)*

New and amended standards adopted by the Group in the period ended 31 December 2018

(i) *IFRS 16*

The Group has early adopted IFRS 16 *Leases* using the modified retrospective approach from 27 March 2018. The accounting policy is discussed in detail under the heading *Leases* below. This early adoption has led to an increase in right-of-use assets of £10.5m and lease liabilities of £11.4m as at 31 December 2018 compared to if the standard had not been early adopted.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

- Clarifications to IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IFRS 1 and IAS 28
- Amendments to IFRS 9
- Amendments to IAS 28

At the date of authorisation of these financial statements, it is not practical to provide a reasonable estimate of the effect of new and revised IFRSs and related interpretations stated above that are in issue but not yet effective. Any future impact is not anticipated to be material.

Going concern

The Group made a loss for the period. However, this performance is being funded through the Company's treasury arrangement with other La Financière Atalian S.A.S group companies which enables the Company to meet its liabilities as they fall due. The Group has received a letter of support from its ultimate parent company, La Financière Atalian S.A.S.

On the basis of their assessment of the Group's financial position, including the availability of funding from the treasury function managed by the ultimate parent company, the Directors have reasonable expectations that the Group will be able to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are all entities over which the Group has control over the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that control ceases. The Company is an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Non-controlling interests are recognised on subsidiaries where the Group does not have 100% ownership.

(ii) *Goodwill*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated statement of profit or loss and is not subsequently reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. All direct costs of acquisition are recognised immediately as an expense in the statement of profit or loss.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Accounting policies *(continued)*

Basis of consolidation *(continued)*

(iii) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in order to obtain control of the acquire (at the date of exchange). Costs incurred in connection with the acquisition are recognised in the Consolidated Statement of Profit or Loss as incurred.

Where a business combination is achieved in stages, previously held interest in the acquiree are remeasured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss is recognised in the Consolidated Statement of Profit or Loss.

Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during the period.

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the amount paid or received and the change in non-controlling interests is recognised directly in equity. Adjustments can only be made up to 12 months after the acquisition date.

(iv) Transactions eliminated on consolidation

Intragroup balances and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains but *only to the extent that there is no evidence of impairment.*

Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over the estimated useful life.

• Freehold land and buildings	50 years
• Short-term leasehold property	Over the period of the lease
• Plant and machinery	2-5 years
• Motor vehicles	4-5 years
• Computer equipment	2-5 years
• Fixtures and fittings	2-10 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included within the Consolidated Statement of Profit or Loss.

Accounting policies *(continued)*

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct of represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises right-of-use assets and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any additional direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease of, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. This is determined as the rate of interest the Group would have to pay to borrow over a similar term, and with a similar security.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'finance lease liabilities' in the statement of financial position.

Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts and invoice discounting facilities. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is determined using the first in, first out method.

Accounting policies *(continued)*

Intangible assets

Intangible assets other than goodwill (please see above) are shown at cost less accumulated amortisation and impairment losses.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the intangible asset. The amortisation expense is included within the administrative expenses line in the consolidated statement of profit or loss.

Intangible assets are amortised from the date they are available for use. The useful lives are as follows:

• Software	10 years
• Customer base and reputation	10 years
• Trade name	5 years
• Regional licences	20 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Impairment of assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operation are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at the revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss.

For goodwill, the recoverable amount is assessed annually and whenever there is an indication of impairment. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. For the purpose of impairment testing goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unity is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Investments

Investments in subsidiaries are recorded at cost less accumulated impairment losses, which is the fair value of the consideration paid. Investments in joint ventures are initially measured at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets.

Investments in subsidiaries are assessed annually for impairment, or when any indicators of impairment are identified. The same process is followed as described in *Impairment of assets* above.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement. The results and assets and liabilities of joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for the Group's share of the net assets in the joint venture, less any impairment in the value of the investment. The Group's share of post-tax profits or losses in recognised in the consolidated profit and loss account.

Accounting policies *(continued)*

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Financial instruments

IFRS 9 uses an expected credit loss model for recognising impairment of financial assets held at amortised cost. This requires the group to consider forward-looking information to calculate expected credit losses regardless of whether there has been an impairment trigger.

Under IFRS 9 only assets which consist solely payments of principal and interest ('SPPI') can be recorded at amortised cost. All financial assets held by the Group are SPPI and can therefore be subsequently measured at amortised cost.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Please see note 29 for further details.

Trade receivables

Trade receivables are initially measured at their transaction price if they do not contain a significant financing component, which is the case for substantially all trade receivables. The loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that takes into account historical information on defaults adjusted for the forward-looking information per customer. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

The carrying amount of trade receivables includes receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk and therefore continues to recognise the transferred assets in their entirety in the statement of financial position. The amount repayable under the agreement is presented in current borrowings.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Trade and other payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisitions, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the assets for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other finance costs are expensed in the period in which they are incurred.

Accounting policies *(continued)*

Retirement benefits

The Group operates both defined contribution plans and defined benefit plans. A defined contribution plan is one where the Group pays fixed contributions into a separate entity. These contributions are expensed in the period in which they accrue.

The terms of the defined benefit pension plan define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme. The defined benefit asset or liability recognised in the statement of financial position is the difference between the present value of the defined benefit obligations and the fair value of the plan assets.

The defined benefit obligation is calculated by independent actuaries using the project unit cost method. Actuarial gains and losses are recognised in full in the period in which they occur within the statement of comprehensive income.

As a result of its outsourcing contracts with education authorities, the Group obtains Admitted Body status in a number of Local Authority final salary pension schemes in respect of a number of designated employees for the duration of the outsourcing contract. The Group pays employer contributions as determined each period by the relevant scheme based on the scheme actuary's recommendation in order to maintain an ongoing fully funded status, but under the terms of the Admission Agreements with certain authorities the Group is protected (by bond, guarantees or indemnity) from the risk of previous underfunding or additional liabilities arising on early retirement or redundancy. The assets of the scheme are held separately from those of the Group in independent Trust Funds administered by the relevant Local Authorities. Although notional allocations of assets are made in some schemes, the Group does not have specific information about its share of the underlying assets and liabilities of the schemes or the extent of any deficits in those schemes. Given the nature of the Group's membership in these multi-employer final salary schemes, contributions are accounted for as if they were defined contribution schemes, the profit and loss charge being based on contributions payables in respect of the accounting period.

Revenue

The Group recognises revenue when it transfers control over a product or service to its customer. Revenue is measured based on the consideration specified in a contract with a customer, net of value added tax and trade discounts. Where the consideration is variable, the amount recognised is highly probable not to suffer significant reversal in future.

The Group's activities are wide-ranging, and as such, depending on the nature of the product or service delivered and the timing of when control is passed to the customer, the Group will account for revenue over time and at a point in time. Additional details of revenue recognition on a divisional basis is as follows:

(i) *Cleaning*

Contracts for Cleaning services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of the services. Where Cleaning services are provided outside of contractual arrangements and are one-off in nature, revenue is recognised at the point in time those services are delivered.

(ii) *Catering*

Contracts for Catering services can require the provision of goods to the customer, considered to be a single performance obligation. Revenue is recognised at a point in time when control passes to the customer. For these contracts, payment is received when the goods are provided.

Alternatively, contracts for Catering services can require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. For the majority of these contracts, invoices are raised in the month or months after the delivery of the services.

(iii) *Security*

Contracts for Security services relates to guarding services and the installation of supporting goods such as access control systems, CCTV and biometric equipment. In contracts that include the outright sale of equipment, revenue in respect of the sale and installation is recognised at a point in time when the goods have been installed. Guarding services represents a series of services with a constant pattern of transfer to the customer over time. Revenue in respect of such services is recognised over the period of the contract. For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of the services.

Accounting policies *(continued)*

Revenue *(continued)*

(iv) Integrated Solutions

Contracts for Integrated Solutions services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of the services.

(v) Technical Services

Contracts for Technical Services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of the services. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract.

(vi) Projects

Contracts for Projects typically relate to construction and building works. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract.

(vii) Contract assets and liabilities

A contract asset is recognised when revenue recognised on an individual contract exceeds the amounts billed on that contract to date. Contract assets are reduced by appropriate loss allowances. Where cash received from a customer for an individual contract exceeds the revenue recognised, the amount is included in contract liabilities.

Non-underlying items

The following are disclosed separately as non-underlying items in order to provide a clear indication of the Group's underlying performance:

- Acquisition costs
- Redundancy and other costs
- Amortisation of acquired intangibles
- Amortised debt costs

Please see note 8 for further explanation of these categories.

Income tax and deferred taxation

Deferred tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when:

- the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect either accounting profit or taxable income; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary different will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilise the deferred tax asset.

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, using tax rates that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Profit or Loss.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and taxation authority.

Accounting policies *(continued)*

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:
- trade receivables for sales of inventory and from the provision of services;
- contract assets relating to long term projects contract;
- Other receivables relating to loans to associates carried at amortised cost.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contract.

An impairment loss for other receivables measured at amortised costs is recognised for expected losses when there is an increased probability that the counterparty will be unable to settle the contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered or both. Where there has been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated, representing the portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available with undue cost or effort. The expected credit loss is a probability weighted amount determined from a range of outcomes and takes into account the time value of money.

2. Critical accounting judgements and estimates

The Group makes estimates and judgements concerning the future. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Estimates

Defined benefit pension scheme

Refer to note 28 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation. Management consider the key estimates to be longevity, discount rate and future salary increases as these could cause a material impact to the defined benefit obligation.

Measurement of intangible assets on acquisition

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately recognised customer relationships, order backlog and trade names based on contractual agreements in acquisitions made. The fair value of these acquired intangible assets is based on valuation techniques that involve the use of future growth rates, discount rates and expected inflation rates. The valuation models require input based on assumptions about the future. The Directors use their best knowledge to estimate fair value of acquired intangible assets as of the acquisition date.

Revenue recognition

The Group's revenue recognition policies are central to how the Group values the work it has carried out in each financial period. These policies require forecasts to be made of the outcomes of long-term construction services which require estimates to be made of both cost and income recognition on each contract. On the cost side, estimates of forecasts are made on the final out-turn of each contract in addition to potential costs to be incurred for any maintenance and defects liabilities. One the income side, estimates are made on variations to consideration which typically include variations due to changes in scope of work, recoveries of claim income from customers, and potential liquidated damages that may be levied by the customer. Estimates are reviewed regularly throughout the contract life based on latest available information and adjustments made where necessary.

Given the pervasive nature of estimates on revenue, cost of sales and related balance sheet amounts, it is difficult to quantify the impact of takin alternative assessments on each of the estimates above.

Critical accounting judgements and estimates *(continued)*

Judgements

Revenue recognition

The Group's revenue recognition policies require judgement to be made with regards to identification of performance obligations within long term contracts. A significant number of these contracts relate to construction or building works, and management have made a judgement that the input method is the most appropriate basis for revenue recognition for these contracts. These contracts also often include an element of variable consideration and management are required to make judgements of the point in time when the variable consideration is highly probable not to suffer significant reversal in future.

Recognition of deferred tax assets

Deferred taxes are recognised in respect of temporary differences between the tax treatment and treatment within the financial statements for assets and liabilities. Deferred tax assets are only recognised to the extent they are expected to be recovered. Recoverability is assessed on an ongoing basis. Deferred tax is calculated at the substantively enacted rate which is expected to apply in the period the asset or liability is expected to be realised. The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered.

Impairment testing

The Group also tests for impairment of goodwill when a trigger event occurs or annually as appropriate. The impairment review is performed by projecting the future cash flows, excluding finance and tax, based upon budgets and plans and making appropriate judgements about rates of growth and discounting these using a rate that takes into account the time value of money and the risk inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying net assets and related goodwill an impairment charge would be taken to the statement of profit or loss unless the fair value less cost of disposal of the related asset is higher than the carrying value.

Non-underlying items

'Non-underlying items' are items of financial performance which the Group believes should be separately identified on the face of the statement of profit or loss to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of other items or not requires judgement. Other items before tax of £26.5m were charged to the statement of profit or loss for the period ended 31 December 2018. An analysis of the amounts included in other items is detailed in note 8.

3. Revenue

3(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines and geographical regions.

	Cleaning	Catering	Security	Projects	Technical Services	Integrated Solutions	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Primary geographical market								
United Kingdom	157.8	81.8	30.6	104.1	48.8	40.1	1.8	465.0
Republic of Ireland	1.1	0.6	-	-	-	-	-	1.7
Europe	-	-	-	-	-	17.8	-	17.8
	158.9	**82.4**	**30.6**	**104.1**	**48.8**	**57.9**	**1.8**	**484.5**
Timing of revenue recognition								
At a point in time	8.9	49.0	0.9	4.0	-	-	1.8	64.6
Over time	150.0	33.4	29.7	100.1	48.8	57.9	-	419.9
	158.9	**82.4**	**30.6**	**104.1**	**48.8**	**57.9**	**1.8**	**484.5**

Revenue *(continued)*

3(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers

	2018 Contract assets	2018 Contract Liabilities
	£m	£m
Cleaning	10.5	-
Security	5.0	(0.1)
Catering	0.5	-
Projects	12.4	(5.8)
Technical Services	12.6	(7.9)
Integrated Solutions	-	(0.4)
Other	0.1	(0.1)
	41.1	**(14.3)**

The contract assets primarily related to the Group's right to consideration for work completed but not billed at the reporting date on Cleaning, Security, Projects and Technical Services contracts. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for Projects and Technical Services contract, for which revenue is recognised on completion of the relevant contract. Immaterial impairment has been noted on the contract assets.

Contract assets and contract liabilities have increased from nil at the start of the period due to the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited) in the period as well as organic growth in the Cleaning, Security, Projects and Technical Services divisions post acquisition.

3(b)(i) Unsatisfied long-term contracts

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2018.

	2019	2020	2021	Total
	£m	£m	£m	£m
Projects	48.6	0.2	-	48.8
Technical Services	19.4	3.2	1.4	24.0

4. Operating profit

	2018
Group operating profit for the period is stated after the following:	£m
Staff costs (note 6)	288.2
Amortisation of intangible assets	5.0
Depreciation of tangible fixed assets:	
- owned by the group	6.8
- held under leases	3.0
Subcontractor costs	56.2
Consumables	90.4

5. Auditors' remuneration

	2018
	£m
Fees payable to the Group's auditors for the audit of the company's financial statements	1.3
Fees payable to the Group's auditors in respect of non-audit services:	
- *preparation of the financial statements*	-
- *the auditing of the financial statements of subsidiaries of the company pursuant to legislation*	-
- *other services relating to taxation*	-
- all other non-audit services not included above	0.1
	1.4

6. Staff costs

	2018
Group	**£m**
Wages and salaries	267.5
Social security costs	18.8
Other pension costs - defined contribution schemes	3.3
Other pension costs - defined benefit schemes	0.2
	289.8

The staff costs for the Company for the period were £nil.

The average monthly number of employees, including the Directors, during the period was as follows:

Group	**2018**
Operational staff	25,469
Administration and management	2,925
Directors	5
	28,399

No employees were employed directly by the Company during the period.

7. Directors' remuneration

	2018
Group	**£m**
Remuneration	0.3
	0.3

The costs of certain Directors' services are borne by La Financière Atalian S.A.S, the ultimate parent company. The Director's services provided to the Group are considered incidental to the services performed for the rest of group headed by La Financière Atalian S.A.S.

Highest paid Director

The highest paid Director received remuneration of £309,000. The value of the Group's pension contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £29,000.

8. Non-underlying items

Group	2018 £m
Acquisition costs	6.4
Redundancy and other costs	1.6
	8.0
Amortisation of acquired intangibles	5.0
Administrative expenses	**13.0**

Amortisation of acquired intangibles: the Group carries in its statement of financial position significant balances related to acquired intangible assets. The amortisation of these assets are reported separately as they distort the in period trading results and performance of the acquired businesses is assessed through the underlying operational results.

Acquisition costs: the costs incurred with acquisitions are not included in the assessment of business performance which is based on the underlying results. IFRS requires certain costs incurred in connection with acquired businesses to be recorded within the Group statement of profit or loss. These charges are not included in the internal assessment of business performance which is based on the underlying operational results. These charges are therefore separately disclosed as non-underlying.

Redundancy and other costs: redundancy payments made to employees relate to one-off costs of organisation change associated with the Group's efficiency and change policies and do not relate to the underlying business performance.

Group	2018 £m
Accelerated amortised borrowing costs	6.0
Penalty repayment fee	7.5
Finance costs	**13.5**

Accelerated amortised borrowing costs: as part of raising finance, certain costs related to the financing are capitalised and released to the statement of profit or loss equally over the length of the loan. Amounts that are repaid early due to refinancing do not represent the true underlying finance cost due to the acceleration of payment and are therefore presented as non-underlying.

Penalty repayment fee: the Group repaid all of its third party borrowing during the period ended 31 December 2018. As a result of this, an early repayment penalty was payable. This does not represent the true underlying finance cost of the Group and has therefore been presented as non-underlying.

9. Finance costs

Group	2018 £m
Interest on bank loans and overdrafts	1.1
Loan note and other interest	13.0
Interest on leases and hire purchase contracts	0.6
Amortised borrowing costs	13.5
	28.2

10. Finance income

Group	2018 £m
Interest on other loans and receivables	0.3
Other interest income	0.2
	0.5

11. Income tax

	2018
Group	**£m**
Deferred tax	
Origination and reversal of temporary differences	(3.7)
Total deferred tax (note 23)	**(3.7)**
Total taxation credit	**(3.7)**

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2018
	£m
Loss before taxation	(37.2)
Loss before taxation multiplied by the rate of corporation tax of 19%	(7.1)
Effects of:	
Expenses not deductible for tax purposes	4.4
Deferred tax effect of change in taxation rates	0.3
Non-taxable income	(1.3)
Total taxation credit	**(3.7)**

The expenses not deductible in the period is mainly due to the tax effect of the corporate interest restriction on the Group.

At 31 December 2018, the Group had taxable losses of approximately £13.1m available for offset against future taxable profits. A deferred tax asset has been recognised on tax losses of £2.2m in the period for which the future utilisation of these loses is considered probable.

The applicable tax rate for the period is 19% following the reduction of the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017.

A reduction to the corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 9 September 2016.

This will reduce the Group's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2018 (which has been calculated based on the expected long-term rate of 17% substantively enacted at the balance sheet date).

12. Intangible assets

Group	**Software £m**	**Customer base and reputation £m**	**Regional licenses £m**	**Total £m**
Cost				
At 27 March 2018	-	-	-	-
Additions on acquisition	1.5	65.1	0.2	66.8
At 31 December 2018	**1.5**	**65.1**	**0.2**	**66.8**
Accumulated amortisation				
At 27 March 2018	-	-	-	-
Charge for the period	0.1	4.9	-	5.0
At 31 December 2018	**0.1**	**4.9**	**-**	**5.0**
Net book amount				
At 31 December 2018	**1.4**	**60.2**	**0.2**	**61.8**

The average remaining amortisation periods at 31 December 2018 is:

Software	8 years
Customer base and reputation	8 years
Regional licenses	9 years

13. Goodwill

Group	**Goodwill £m**
Cost	
At 27 March 2018	-
Recognised on acquisition of subsidiaries	369.3
At 31 December 2018	**369.3**

Goodwill is allocated to the Group's cash generating units ('CGUs') identified according to the operations being performed.

The goodwill associated with the Group's Cleaning operation is £124.1m, the Security operation is £4.2m, the Catering operation is £94.8m, the Technical Services/Projects operation is £105.0m and the Integrated Solutions operation £41.2m. The recoverable amount of all of the Group's operations CGUs is determined based on the value in use calculations using cash flow projections based on financial budgets and long-range plans approved by management covering a four-year period which are prepared as part of the Group's normal planning process. The Group considers that a four-year period is a suitable length of assessment given the strength of the customer relationships it holds and the reputation that it has built up in the marketplace.

Goodwill *(continued)*

Other major assumptions are as follows:

2018	Cleaning	Security	Catering	Technical Services/ Projects	Integrated Solutions
Discount rate %	8.5	8.5	8.5	8.5	8.5
1 to 4-year growth rate %	5	5	5	5	5
Long-term growth rate %	2	2	2	2	2

The growth rates used are based on both historical growth rates achieved by the operations and expected future growth rates based on the medium-term strategy for the business and opportunities in the marketplace. The long-term growth rate is used to calculate the terminal value of the CGU in perpetuity. The post-tax discount rate is based on the Group's weighted average cost of capital adjusted for specific risks relating to the relevant sector.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

If the 1 to 4-year growth rates were to reduce by 0.5% or the discount rate were to increase by 0.5%, there would still be no indication of impairment. The Group is exposed to economic developments in the United Kingdom and to the uncertainties related to Brexit. Since the majority of the Group's activities are carried out within the United Kingdom, the Group considers that a possible absence of a commercial and/or customs agreement between the UK and the European Union would not have a significant direct impact on the Group's operation. For this reason, the impairment test did not give rise to a complementary sensitivity test.

14. Property, plant and equipment

Group	Freehold land and buildings £m	Short-term leasehold property £m	Plant and machinery £m	Motor vehicles £m	Computer equipment £m	Fixtures and fittings £m	Total £m
Cost							
At 27 March 2018	-	-	-	-		-	-
Additions at cost	-	1.9	4.8	6.0	2.1	1.5	16.3
Additions on acquisition	3.1	3.9	13.1	6.0	2.6	3.1	31.8
Disposals	-	-	(4.0)	(2.9)	-	-	(6.9)
At 31 December 2018	**3.1**	**5.8**	**13.9**	**9.1**	**4.7**	**4.6**	**41.2**
Accumulated Depreciation							
At 27 March 2018	-	-	-	-	-	-	-
Charges for the period	-	0.8	4.1	2.8	1.2	0.9	9.8
Disposals	-	-	(3.8)	(2.0)	-	-	(5.8)
At 31 December 2018	**-**	**0.8**	**0.3**	**0.8**	**1.2**	**0.9**	**4.0**
Net book amount							
At 31 December 2018	**3.1**	**5.0**	**13.6**	**8.3**	**3.5**	**3.7**	**37.2**

15. Leases

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

Group	2018 £m
Property, plant and equipment owned	26.7
Right-of-use assets	10.5
	37.2

The Group leases many assets including land and building, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets **Group**	Property £m	Vehicles £m	Other £m	Total £m
Balance at 27 March 2018	-	-	-	-
Additions on acquisition	3.3	2.4	0.1	5.8
Additions for the period	1.5	5.8	0.4	7.7
Depreciation charge for the period	(0.9)	(1.9)	(0.2)	(3.0)
Balance at 31 December 2018	**3.9**	**6.3**	**0.3**	**10.5**

Additions on acquisition relate to the right-of-use assets acquired as part of the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited) during the period.

Lease liabilities **Group**	2018 £m
Maturity analysis - contractual undiscounted cash flows	
Less than one year	4.7
One to five years	7.5
More than five years	1.1
Total undiscounted lease liabilities at 31 December	13.3
Lease liabilities included in the statement of financial position at 31 December	
Current	4.2
Non-current	7.2
	11.4

There are no formal extension options within the Group's portfolio of leases. Early break termination options are included in a number of property leases. The right-of use asset and lease liability are calculated with reference to the early break date unless it is reasonably certain that these termination options are not going to be executed.

Amounts recognised in statement of profit or loss **Group**	2018 £m
Interest on lease liabilities	0.6

Amounts recognised in statement of cash flows **Group**	2018 £m
Total cash outflow for leases	(3.8)

16. Investments

The following entity is an associate of the Group and has been included in the consolidated financial statements using the equity method and in the single entity financial statements at cost:

Group			Proportion of ownership interest held
Name	**Country of incorporation**	**Currency**	**2018**
Bottega Investco S.À R.L	The Netherlands	Euro	27.9%

The primary business of Bottega Investco S.À R.L is that of a holding company for a group of companies that provides IT services globally. The investment will give the Group access to additional service lines across new geographical areas in line with the strategy of the Group. Since the Group's acquisition of the minority stake, Bottega Investco S.À R.L has incurred large amounts of restructuring costs related to the new ownership structure. These are one-off in nature and are not expected to continue in future years. No quoted fair value price of the associate is available

There is a restriction in place relating to the distribution of dividends to investors governed by an equity warrant in place. A put/call option over the shares exists involving the other investors. For further details on contractual relationships with other investors please see note 29.

Reconciliation to carrying amounts

Name of entity	Place of business	% Ownership	Nature of relationship	Measurement method	Carrying amount
					£m
Atalian Servest JV Limited	United Kingdom	50%	Joint venture	Equity method	-
Tecnicas Logisticas Sistemas e Ingeneria S.L	Spain	50%	Joint venture	Equity method	-
Aktrion Incontrol SP. ZO.O	Poland	50%	Joint venture	Equity method	-
Aktrion Automotive S.A.R.L	Morocco	50%	Joint venture	Equity method	-
Aktrion Unicov Automotive Private Limited	India	50%	Joint venture	Equity method	-
Aktrion K&S Quality Solutions (Chang Zhou) Co. Limited	China	50%	Joint venture	Equity method	-
Aktrion Latam S.A.	Uruguay	50%	Joint venture	Equity method	-
Bottega Investco S.À R.L	The Netherlands	27.90%	Associate	Equity method	78.3
					78.3

There are no quoted fair value prices in respect of any of the above joint ventures. A fair value exercise was undertaken on 9 May 2018 using observable internal inputs based on management assumption to value the associate as part of the business combination as described in note 26, and as such the valuation was classified under Level 3 of the IFRS 13 Fair value hierarchy. On this date the value of the associate was determined to have a fair value of £67.7m. Management have reviewed the value of the associate at the reporting date and are of the view that no impairment is required.

The profit and net assets of the other joint ventures are highly immaterial to the Group, and therefore financial information in relation to these entities have not been disclosed.

In July the Group increased its investment in Bottega Investco S.À R.L from 27.4% to 27.9% in doing so introducing additional capital of £20.5m.

Investments *(continued)*

A reconciliation of the carrying amount of the associate is set out below:

	Bottega Investco S.À R.L*
	£m
Opening net assets at date acquired	(0.7)
Profit for the period (May - June)	1.9
Loss for the period (July - Dec)	(37.2)
Capital introduced	185.4
Net assets at 31 December 2018	**149.4**
Group share %	*27.9%*
Group share in £	41.7
Implied goodwill	36.6
	78.3

The capital introduction was financed via inter-group debt from the Group's parent company.

Summarised financial information

	2018
Bottega Investco S.À R.L*	**£m**
As at 31 December	
Current assets	320.0
Non-current assets	672.4
Current liabilities	288.5
Non-current liabilities	590.2
Period ended 31 December	
Revenues	526.3
Loss from continuing operations	(35.3)
Total comprehensive expenditure	(35.3)

* based on unaudited consolidated figures of PomGen Holdings B.V. for the 8 month period to 31 December 2018.

	Bottega Investco S.À R.L
	£m
Balance at 27 March 2018	-
Acquired on business combination	67.7
Share of profits of associates	(9.9)
Capital introduction	20.5
	78.3

	Investments in subsidiary companies
Company	**£m**
Cost	
At 27 March 2018	-
Acquisition of subsidiaries	227.4
At 31 December 2018	**227.4**

An impairment assessment was performed at the Company level and no impairment was noted. Included in the £227.4m *above are £5.7m of capitalised acquisition costs.*

Atalian Servest Holdings Limited

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Investments *(continued)*

The Company has guaranteed the liabilities of the following subsidiaries (with the exception of Atalian Servest Limited (formerly Servest Group Limited)) in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the period ended 31 December 2018:

Name	Registered address	Class of shares held	Proportion of ownership interest	Principal activities
Subsidiary undertakings				
Atalian Servest Group Holdings Limited (formerly Servest Limited)	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Atalian Servest Group Limited (formerly Servest Group Holdings Limited)*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Dormant holding company
Atalian Servest Limited* (formerly Servest Group Limited)	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company, facilities management and group administration
Atalian Servest Security Limited (formerly Servest Security Services Limited)*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Security services
Servest Ireland Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Cleaning and catering services
Atalian Servest Food Co Limited* (formerly Servest Food Co Limited)	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Catering services
Catering Academy Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Catering services
Unique Catering and Management Services Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Catering services
Servest Building Services Limited*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Dormant company
Atalian Servest AMK Limited (formerly Servest Arthur McKay Limited)*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Maintenance services
Arthur McKay (UK) Limited*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Dormant company
Thermotech Solutions Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Ensco 1194 Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Dormant company
Fire and Air Services Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Thermotech Mechanical Services Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Thermotech Fire Protection Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Oakwood Technology Group Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Oakwood Air Conditioning Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Dormant company
Atalian Servest Pest Control Limited (formerly Servest Pest Patrol Limited)*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Pest control services

Atalian Servest Holdings Limited
Notes to the Financial Statements
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Investments *(continued)*

Subsidiary undertakings

Servest Aktrion Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Aktrion Holdings Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Holding company
Aktrion Group Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Holding company
Aktrion GmbH*	Fuggerstraße 1b DEU-04158 Leipzig Germany	Ordinary	100%	Automotive quality control
Aktrion Manufacturing Support Services Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Automotive quality control
Aktrion Iberia SL*	P.I. Juan Carlos I 46440 Almussafes Valencia Spain	Ordinary	100%	Automotive quality control
Meta Management Services Limited*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Manufacturing support, logistics and facilities management
QE International Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Dormant company
Aktrion Poland SP. ZO.O*	Ul Starni Stok 93 43-300 Bielsko Biala Poland	Ordinary	100%	Automotive quality control
Aktrion Hungary KFT*	HU-2900 Komarom Laktanya koz 30/A Hungary	Ordinary	100%	Automotive quality control
Aktrion CZ S.R.O*	Český Těšín Smetanova 1912/15 PSČ 737 01	Ordinary	100%	Automotive quality control
Aktrion Romania S.R.L*	48-52 I.C Bratianu Boulevard Pitesti Romania	Ordinary	100%	Automotive quality control
Aktrion Portugal, Unipessoal LDA*	Rua Frei Joaquim de Santa Rosa de Viterbo Viseu Portugal	Ordinary	100%	Automotive quality control
Alpha Facilities Management Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Facilities management
Aktrion France SAS*	58 Boulevard Jacquard 62100 Calais France	Ordinary	100%	Automotive quality control

Investments *(continued)*

Subsidiary undertakings				
Aktrion Sweden AB*	Redegatan 9 426 77 Vastra Frolunda Sweden	Ordinary	100%	Dormant company
Knowsley Polybagging Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Dormant company
Aktrion Slovakia S.R.O*	Piaristicka 2 94901 Nitra Slovakia	Ordinary	100%	Automotive quality control
Gasser Aktrion GmbH*	ußwerkstraße 11 4400 Steyr Austria	Ordinary	100%	Automotive quality control
Aktrion Gasser UK Limited*	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Automotive quality control
Joint ventures				
Atalian Servest JV Limited (formerly Atalian Servest Limited(*)(**)	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	50%	Dormant company
Tecnicas Logisticas Sistemas e Ingeneria S.L*	La Granja Nº 6 46440 Almussafes Valencia Spain	Ordinary	35%	Automotive quality control
Aktrion Incontrol SP. ZO.O*	Ul Starni Stok 93 43-300 Bielsko Biala Poland	Ordinary	50%	Automotive quality control
Aktrion Automotive S.A.R.L*	Bureau 303 Lot 43A Tangier Morocco	Ordinary	65%	Automotive quality control
Aktrion Unicov Automotive Private Limited*	Senapati Bapat Road Shivaji Nagar Pune India	Ordinary	50%	Dormant company
Aktrion K&S Quality Solutions (Chang Zhou) Co. Limited*	Changzhou China	Ordinary	50%	Dormant company
Aktrion Latam S.A.*	Taormina 2398 Montevideo 11500 Uruguay	Ordinary	50%	Dormant company
Associates				
Bottega Investco S.À R.L*	9 Allée Scheffer Luxembourg City Luxembourg	Ordinary	27.9%	Holding company

* denotes indirect holdings
** Atalian Servest Limited (formerly Servest Group Limited holds a 50% shareholding in Atalian Servest JV Limited (formerly Atalian Servest Limited) which has not commenced trading. The carrying value of the investment is £50.

17. Inventories

	2018
Group	**£m**
Consumables	4.2
	4.2

The total cost of consumables expensed in the period and included within cost of sales is £90.4m.

18. Trade receivables

Group	2018 £m
Trade receivables	88.3
Loss allowance	(3.2)
	85.1

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 1.

Transferred receivables

The Group finances a portion of its working capital through a trade receivables sale programme comprising factoring agreements which at the year end represented a maximum of £15.7m worth of factored receivables. The Group has not transferred substantially all the risks and rewards of ownership and the trade receivables are therefore still recognised on the statement of financial position with the recognition of a corresponding financial liability. The Group has been mandated by the factoring company to manage on their behalf the recovery of the receivables that have been sold to them.

Fair values of trade receivables

Due to the short term nature of trade receivables, the carrying value is assumed to equal the fair value.

Impairment and risk exposure

Please see note 29 for further details of impairment and risk exposure

19. Other receivables

Group	2018 £m
Other receivables	5.6
Prepayments	3.4
	9.0

20. Other loans and receivables

Group	2018 £m
Other receivables	5.9

Other receivables relate to a payment in kind loan to an associate of the Company that is repayable on 6 July 2022. Interest accrues at 10% per annum on the initial loan balance and compounds annually.

Since initial recognition, the receivable has not seen a significant increase in the exposure to credit risk. The Group has considered future possible outcomes in this assessment. As a result, no allowance for expected credit losses have been recognised in relation to the receivable.

Other loans and receivables *(continued)*

	2018
Company	**£m**
Amounts due from group undertakings	284.8

Amounts due from group undertakings relate to a loan with the parent company, La Financière Atalian S.A.S that is repayable in May 2025. Interest accrues on the loan at 5.96% per annum.

Since initial recognition, the amounts due from group undertakings has not seen a significant increase in the exposure to credit risk. The Group has considered future possible outcomes in this assessment. As a result, no allowance for expected credit losses have been recognised in relation to the receivable.

21. Trade and other payables

Group	**2018**
Current	**£m**
Trade payables	35.9
Other payables	42.0
Accruals	29.4
Contingent consideration	4.7
	112.0

Trade payables are unsecured and are usually paid within 45 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Company	**2018**
Current	**£m**
Trade payables	5.8
	5.8

22. Borrowings

	2018
Group	**£m**
Non-current	
Other loans owed to shareholders	356.1
	356.1
Current	
Bank overdrafts	2.4
Working capital facility	15.7
	18.1
Total borrowings	**374.2**

The other loans owed to shareholders is made up of several loans with La Financière Atalian S.A.S. The loans have various repayment dates and accrue interest at 5.96%. The working capital facility provides a maximum amount of £27.0m, has no fixed repayment date and invoices are discounted at 0.2%.

	2018
Company	**£m**
Non-current	
Other loans owed to shareholders	289.4
	289.4
Total borrowings	**289.4**

The other loans owed to shareholders is with La Financière Atalian S.A.S. The loan is repayable in May 2025 and accrues interest at 5.96%.

Borrowings *(continued)*

The below table sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Assets		Liabilities from financing activities					
			Current			Non-current		
	Cash on hand £m	Balances with banks £m	Bank overdraft £m	Working capital facility £m	Lease liabilities £m	Loans to shareholders £m	Lease liabilities £m	Total £m
Net debt as at:								
27 Mar 2018	-	-	-	-	-	-	-	-
Acquired on business combination	1.5	-	(33.4)	-	(1.6)	(20.2)	(4.7)	(58.4)
Cash flows	-	9.1	31.0	(15.7)	1.0	(323.3)	2.2	(295.7)
Foreign exchange	-	-	-	-	-	0.3	-	0.3
Other movements	-	-	-	-	(3.6)	(12.9)	(4.7)	(21.2)
31 Dec 2018	**1.5**	**9.1**	**(2.4)**	**(15.7)**	**(4.2)**	**(356.1)**	**(7.2)**	**(375.0)**

23. Deferred tax

	2018
Group	**£m**
Deferred tax assets	2.4
Deferred tax liabilities	(9.8)

	2018	
	Assets	**Liabilities**
Deferred tax assets/(liabilities) comprise:	**£m**	**£m**
Fixed asset timing differences	0.2	-
Deferred tax liability on intangibles acquired on business combination	-	(9.8)
Taxable losses carried forward	2.2	-
At 31 December	**2.4**	**(9.8)**

The provision for deferred tax is made up as follows:

	Acquired intangibles	Fixed asset and other timing differences	Losses and other deductions	Total
Deferred tax assets & liabilities	**£m**	**£m**	**£m**	**£m**
At 27 March 2018	-	-	-	-
Recognised in the statement of profit or loss	1.0	0.5	2.2	3.7
Acquisition of subsidiaries (note 26)	(10.8)	(0.3)	-	(11.1)
At 31 December 2018	**(9.8)**	**0.2**	**2.2**	**(7.4)**

£1.0m of the deferred tax is expected to be settled within 12 months of the reporting date. The remainder will be settled beyond 12 months of the reporting date.

24. Share capital

	2018
Allotted, called up and fully paid	**£m**
216,920,000 Ordinary shares of £1 each	216.9
	216.9

25. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and balances within working capital facilities. Cash and cash equivalents in the statement of cash flows comprise the following amounts:

	2018
Group	**£m**
Cash in hand	1.5
Balances with banks	9.1
Cash and cash equivalents	**10.6**
Bank overdraft	(2.4)
Net cash	**8.2**

Significant non-cash transactions

During the period the Group acquired property, plant and equipment with a total cost of £16.3m of which £7.7m were acquired by means of finance leases. Finance leases and hire purchase are secured on the assets to which they relate.

26. Business combinations

Current period acquisition

During the period ended 31 December 2018, the Group acquired 100% of the share capital of Atalian Servest Group Holdings Limited (formerly Servest Limited). The acquisition method of accounting was used for all business combinations.

The purpose of these acquisitions was to:
- obtain access to a new market sector
- acquire a national operation with a customer base which fits nicely with the other group companies
- acquire a revenue stream from existing customers
- enhance ability to provide comprehensive FM contracts

Goodwill represents the value of the synergies arising from the economies of scale achievable in the enlarged group. These synergistic benefits were the primary reason for entering into the business combinations.

Details of the fair value of identifiable assets and liabilities for the acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited), a facilities management company that operates throughout the UK and took place in May 2018, are as follows:

Acquisition of Atalian Servest Group Holdings Limited (formerly Servest Limited)	**Book value**	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Property, plant & equipment	31.8	-	31.8
Current assets	146.1	-	146.1
Cash and cash equivalents	9.0	-	9.0
Customer relationships	-	61.9	61.9
Associate investment	-	67.7	67.7
Deferred tax on other intangibles	-	(10.8)	(10.8)
Trade and other payables	(378.2)	-	(378.2)
Net liabilities acquired	**(191.3)**	**118.8**	**(72.5)**

Details of the fair value of consideration upon acquisition are as follows:

	£m
Cash	300.0
Net liabilities acquired	72.5
Goodwill (see note 13)	**372.5**

The business acquired contributed £484.5m to the Atalian Servest Holdings Limited group revenue in the period ended 31 December 2018. The effect on the net loss for the period since acquisition date to their first-time consolidation was £27.9m. As part of this transaction and included in the total cash consideration paid of £300.0m, Atalian Servest Group Holdings Limited (formerly Servest Limited) purchased the remaining 26.2% holding in Atalian Servest Group Limited (formerly Servest Group Holdings Limited) for £78.3m which was previously attributable to the non-controlling interest.

Acquisition costs of £5.7m were recognised as an expense in non-underlying administrative expenses.

27. Contingent liabilities

As disclosed in Note 16, the Company's subsidiaries have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the period-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the period-end was £215,113,000.

28. Retirement benefit obligations

The Group pension arrangements are operated through a defined contribution scheme and a Group defined benefit scheme.

Defined contribution scheme

	2018
	£m
Amount recognised as an expense	3.2

The Group is part of a local authority defined benefit pension scheme. This is a multi-employer scheme and therefore is accounted for as a defined contribution scheme and the contributions are included in the above figures.

Defined benefit scheme

The Group operates a final salary defined benefit pension scheme.

The scheme provides employees with a pension benefit based on final pensionable pay. The scheme is funded by the Company and employees. Contributions by the Company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement. The latest triennial valuation was completed on 30 September 2017.

The scheme is legally separate from the Group and administered by a separate fund. The board of the fund is made up solely of an independent trustee. By law, the board is required to act in the best interest of participants to the schemes and has the responsibility of setting investment, contribution, and other relevant policies.

The scheme is exposed to a number of risks, including:

- *Investment risk:* investment returns on the schemes assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of scheme liabilities.
- *Interest rate risk:* movement in discount rate used (high quality corporate bonds) will change the defined benefit obligation.
- *Longevity risk:* scheme members may live longer than assumed, for example due to unanticipated advance in medical healthcare.
- *Salary risk:* increase in future salaries increases the gross defined benefit obligation.
- Legislative changes could also lead to an increase in scheme liabilities.

Employees not participating in a defined benefit scheme are eligible to join a defined contribution scheme.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plan, and with statutory requirements (including minimum funding requirements) for the plan, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no defined benefit asset was recognised at 31 December 2018. The Group expects to pay £0.3m in contributions to its defined benefit plan in 2019.

Atalian Servest Holdings Limited
Notes to the Financial Statements
For the period ended 31 December 2018

Retirement benefit obligations *(continued)*

The amounts recognised in the statement of financial position are as follows:

	2018 £m
Statement of financial position obligations	
- *Fair value of assets at end of period*	2.7
- Present value of obligations at end of period	(1.7)
- Asset ceiling not recognised	(1.0)
- Asset/(liability) at 31 December	-
Defined pension benefits	
- Related deferred tax asset	-
Liability in the statement of financial position	-
Statement of profit or loss charge included in operating profit	
- For defined pension benefits	0.2
	0.2

	Defined benefit obligation 2018 £m	Fair value of plan assets 2018 £m	Net defined benefit/asset 2018 £m
Balance at 27 March 2018	-	-	-
Acquired on acquisition	(1.5)	1.5	-
Service cost and interest			
Current service cost	(0.2)	-	(0.2)
Past service cost	-	-	-
Interest (expense)/income on defined benefit obligation	(0.1)	0.1	-
Total defined benefit gain/(expense) recognised in profit or loss	(0.3)	0.1	(0.2)
Remeasurement loss			
Actuarial loss/(gain) from:			
- Financial assumptions	0.1	-	0.1
- Adjustments (experience)	0.1	-	0.1
- Effect of asset ceiling	-	(0.4)	(0.4)
	0.2	(0.4)	(0.2)
Total defined benefit loss	**(0.1)**	**(0.3)**	**(0.4)**
Cashflows			
Employer contributions	-	0.4	0.4
Benefits paid	0.2	(0.2)	-
	0.2	**0.2**	**0.4**
At 31 December	**(1.4)**	**1.4**	-

Retirement benefit obligations *(continued)*

Actual return on plan assets

The current service cost has been recognised within cost of sales and the interest cost and expected return have been recognised within finance income.

The fair value of the scheme assets consists of:

	2018 £m
Equity instruments	1.4
Gilts	0.3
Corporate bonds	0.6
Property and other assets	0.4
	2.7

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages) are as follows:

	2018
Discount rate	2.80%
Future salary increases	3.40%
Future pension increases	3.40%
Proportion of employees opting for early retirement	3.40%
Retail price index (RPI)	3.40%
Longevity at retirement age (current pensioners)	
- Males	20.1
- Females	22.0
Longevity at retirement age (future pensioners)	
- Males	21.2
- Females	23.2

Sensitivity analysis

The increase in the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

Actuarial assumption	Reasonably possible change	2018 £m
Discount rate	0.25%	-
Salary increases	0.25%	-
Inflation	0.25%	0.1
Future mortality rates	1 year	0.1

29. Financial assets and financial liabilities

Classes and fair value of financial instruments

	2018 £m
Financial assets at amortised cost	
Assets as per the statement of financial position	
Trade receivables (note 18)	85.1
Other receivables (note 19)	5.6
Other loans and receivables (note 20)	5.9
Cash and cash equivalents (note 25)	10.6
Total	**107.2**

All of the above items are treated as financial assets at amortised cost. Fair value is the same as book value for all of the above assets.

	2018 £m
Financial liabilities at amortised cost	
Liabilities as per the statement of financial position	
Trade payables (note 21)	35.9
Other payables	6.7
Accruals (note 21)	29.4
Current borrowings (note 22)	18.1
Non-current borrowings (note 22)	356.1
Lease liabilities (note 15)	11.4
Total	**457.6**

All of the above financial liabilities are treated as held at amortised cost. Fair value is the same as book value for all of the above assets.

Other payables in the table above are contractual obligations to deliver cash or another financial asset to another entity whereas the other payables within note 21 also include statutory items that are not contractual.

	2018 £m
Financial liabilities at fair value through profit or loss	
Liabilities as per the statement of financial position	
Contingent consideration (note 21)	4.7
	4.7

The contingent consideration is a financial liability held at fair value. The fair value is determined by the application of level 3 inputs as it is not linked to quoted prices or observable market data. The value of contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The closing balance of £4.7m relates to contingent consideration in relation to acquisitions completed by subsidiary companies during the period.

In calculating the fair value of the contingent consideration, we review forecasts of the relevant subsidiary and assess the likelihood of results being achieved that would meet the criteria for the payment of the consideration. In addition, we sensitise these figures and consider the probability of reasonably possible changes and consider the potential impact on the figures recognised. The Directors are satisfied that the figures that support these assumptions represent the best available estimates of expected outturn and therefore believe no further adjustment to the fair values is required at the reporting date.

Financial assets and financial liabilities *(continued)*

Within the shareholders agreement for the investment in Bottega Investco S.À R.L, there is a put right that entitles the Company the right to obligate the majority shareholder, Digital Portfolio Holdings LLC, to acquire all shares held by Atalian Servest Group Holdings Limited (formerly Servest Limited), a subsidiary company, for fair value. The put right is exercisable from the sixth anniversary of the agreement and continues indefinitely. There is a corresponding call right commencing from the sixth anniversary and obligates the Company to sell their shareholding to Digital Portfolio Holdings LLC. As at 31 December 2018, no value has been attributed to this derivative based on the investment value being materially comparable to the period end fair value of the investment of which the value of the derivative would be based.

The group has no other financial instruments measured as Level 1 or 2 included at fair value.

Financial risk management

The Group's operations expose it to a number of financial risks, primarily credit risk and availability of capital to fund future growth. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks.

Credit risk

Concentrations of credit risk with respect to customers are closely monitored by the Directors, and although the Group has a number of significant customers, there are also a large number of other customers in place which reduce the concentration of risk to an acceptable level. Customers are assessed for creditworthiness. The Group has credit insurance over a large proportion of the debtor balances and credit limits are also imposed on customers and reviewed regularly. The debtors age analysis is evaluated on a regular basis for potential doubtful debts.

The Group has a policy of holding surplus funds with approved high-quality banks. At the period-end date, the Group held funds of £6.7m with Lloyds plc, Bank of Scotland plc and HSBC plc.

The Group's maximum exposure to credit risk is:

	2018
Financial assets	£m
Trade receivables	85.1
Other current assets	5.6
Other loans and receivables	5.9
Cash and cash equivalents	10.6

An analysis of trade receivables:

2018	Carrying amount	Neither impaired nor past due	Past due but not impaired	
			61-90 days	More than 90 days
	£m	£m	£m	£m
Trade receivables	85.1	79.4	1.7	4.0

The Group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 55 days. The Group made a loss allowance against trade receivables using the ECL method of £3.2m. The movement in the loss allowance is included in administrative expenses in the income statement.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Group is exposed to the market risks in terms of fluctuations in interest rates, but this only impacts a small portion of the Group's borrowing as a majority is at a fixed rate. The Group also has a small exposure to foreign exchange risk due to loans denominated in Euros. No hedging instruments have been entered as the risk is considered immaterial.

Financial assets and financial liabilities *(continued)*

Interest rate risk

Interest rate exposure and sensitivity analysis:

2018	Carrying amount	Average interest rate	If interest rates were 1% higher		If interest rates were 1% lower	
			Pre-tax profit	Equity	Pre-tax profit	Equity
Financial assets	£m	%	£m	£m	£m	£m
Cash and cash equivalents	10.6	-	0.1	0.1	(0.1)	(0.1)
Financial liabilities						
Lease liabilities	11.4	8.5	(0.1)	(0.1)	0.1	0.1
Borrowings - non-current	20.0	6.0	(0.2)	(0.2)	0.2	0.2
			(0.2)	**(0.2)**	**0.2**	**0.2**

The other receivables (note 20) and a portion of the non-current borrowings have been excluded from the above analysis as these are at a fixed rate of interest. The average rate is calculated as the weighted average effective interest rate.

The rate on cash and cash equivalent balances represents the average rate earned on cash balances after taking into account bank set-off arrangements.

The tables above show the effect on profit and equity after tax if interest rates at that date had been 1% higher or lower with all variables held constant, taking into account all underlying exposures. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed. A sensitivity of 1% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. When applied to short-term interest rates this would represent three to four rate increases which is reasonably possible in the current environment with the bias coming from the reserve bank and confirmed by market expectations that interest rates in the UK are more than likely to move up than down in the coming period.

Liquidity risk

The Group maintains sufficient cash levels to enable it to meet its liabilities as they fall due and utilises support available from the ultimate parent, La Financière Atalian S.A.S. Management review cashflow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group has cash in hand of £8.2m at 31 December 2018. The average creditor payment period is 27 days.

Contractual maturity analysis for financial liabilities:

2018	Due or due in less than 1 month	Due between 1 to 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Due after 5 years	Total
Financial liabilities	£m	£m	£m	£m	£m	£m
Trade and other payables	72.0	6.9	2.4	0.1	-	81.4
Working capital facility	-	-	15.7	-	-	15.7
Shareholder loan	-	-	-	356.1	-	356.1
Lease liabilities	-	-	1.6	9.8	-	11.4
	72.0	**6.9**	**19.7**	**366.0**	-	**464.6**

30. Related party transactions

2018	Sales/ (purchases) of goods/services £m	Interest (payable) /receivable £m	Short term employee benefits £m	Long-term employee benefits £m	Amounts owed (to)/from related party £m
The parent					
La Financière Atalian S.A.S	(5.7)*	(11.1)*	-		(289.4)*
Subsidiaries					
Atalian Servest Group Holdings Limited (formerly Servest Limited)	-	3.2^	-		85.0^
Atalian Servest Limited (formerly Servest Group Limited)	-	6.9^	-		173.9^
Atalian Servest AMK Limited (formerly Servest Arthur McKay Limited)	-	0.6^	-		15.0^
Atalian Servest Food Co Limited (formerly Servest Food Co Limited)	-	0.3^	-		7.3^
Servest Aktrion Limited	-	0.1^	-		3.6^
Key management personnel					
Key management remuneration	-	-	3.4*	0.2*	-

* Where indicated above, these amounts are related parties at both company and at group level.
^ Where indicated above, these amounts are related party transactions at company level only.

Amounts owed to La Financière Atalian S.A.S are shown within other loans owed to shareholders, in non-current borrowings. Amounts owed by the subsidiaries are shown within amounts owed by group undertakings included within other loans and receivables. Key management remuneration relates to Directors and senior managers that make up the executive board.

31. Capital management

The Group's objectives are to ensure sufficient funds are held to meet all liabilities as they fall due and to effectively and successfully manage any risks or uncertainties relating to capital management. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The key processes used to the Group to enable it to meet its objectives are as follows:

- The Group treasury function maintains a rolling 3-month cashflow forecasts which are circulated to the senior board on a regular basis.
- The Group and the divisions within the Group prepare detailed profit, balance sheet and cashflow forecasts to December 2019 which shows that the Group will remain profitable, cash generative and will have the available resources to pay its liabilities as they fall due.
- The Group maintains a detailed 5-year funding model which tracks cash generation, headroom, covenant compliance and other key measures.
- Cash is tightly monitored by the Group to ensure that current liabilities can be met as and when they fall due.

The capital structure of the Group consists of debt per note 22, cash per note 25 and equity per the consolidated statement of changes in equity. The Group's capital structure is reviewed regularly. The Group is not subject to externally imposed regulatory capital requirements.

32. Ultimate parent undertaking and controlling party

This is the smallest group for which consolidated statements are prepared. The immediate parent company is Atalian Europe S.A. The ultimate parent company and the head of the largest group for which consolidated financial statements are drawn up is La Financière Atalian S.A.S, a company incorporated in France. Consolidated financial statements are available from 111- 113 Quai Jules Guesde, 94400 Vitry-sur-Sein, France. In the opinion of the Directors, Mr. F.J. Julien is the ultimate controlling party.

33. Reserves

Retained earnings

Retained earnings account represent cumulative profits or losses, net of dividends paid and other adjustments.

Share capital

Called up share capital reserve represents the nominal value of the shares issued