

Atalian Servest Limited
Report and financial statements

For the year ended 31 December 2021

Company number: 06355228

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Atalian Servest Limited
Report and Financial Statements
for the year ended 31 December 2021

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Atalian Servest Limited

Company Information

for the year ended 31 December 2021

Board of Directors	D. Dickson T. Evans S. Fisher L. Ryan J. Venter P. Watts
Company Secretary	L. Ryan
Registered Office	Servest House Heath Farm Business Centre Tut Hill Fornham All Saints Bury St. Edmunds Suffolk IP28 6LG
Independent Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ
Company Number	06355228

Atalian Servest Limited

Strategic Report

for the year ended 31 December 2021

The Directors present the Strategic Report on the financial statements for the year ended 31 December 2021.

Business review and development of the business

Ownership and activities

Atalian Servest Limited (the "Company") is a wholly owned subsidiary of Atalian Servest Group Limited a, a company registered and incorporated in England & Wales. The Company is the head of the Atalian Servest trading group in the United Kingdom and the Republic of Ireland, with the trading group comprising the Company and its direct and indirect subsidiaries (the "Group").

The ultimate holding company of the Group in the United Kingdom is Atalian Servest Holdings Limited, which itself is an indirect subsidiary of La Financière Atalian S.A.S., a company incorporated and registered in France which heads the global Atalian group (the "Atalian Group"). The Atalian Group employs in excess of 123,600 people globally with €2.9bn in turnover across operations in Europe, North America, Asia and Africa, and provides expert facilities management services to create environments for our customers which enable them to run more efficient, effective and sustainable businesses. Operating at 32,000 customer sites across four continents and in a diverse range of sectors (including corporate, central and local government, education, hotels, manufacturing, transport, logistics, construction and infrastructure), the global Atalian Group – of which the Group is part - delivers 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, waste management, and everything in between, allowing our customers to focus on their core business.

On 28 July 2022, a new Belgian holding Company was established, Atalian Holding Development & Strategy ("AHDS"). AHDS is now the majority shareholder of La Financière Atalian ("LFA"). AHDS and the minority shareholders of LFA have received a binding and irrevocable offer from Clayton, Dubilier & Rice ("CD&R"), a global private investment firm, for the acquisition by CD&R of the entire share capital and voting rights of LFA.

The proposed transaction will be submitted for consultation to the competent workers' councils. After such consultations have been approved and CD&R's offer has been accepted by the by the shareholders of LFA, the completion of the proposed transaction will be subject to customary conditions, including regulatory and competition authority approvals in a number of jurisdictions as well as the completion of the acquisition by CD&R of another international facilities management company headquartered in the United Kingdom and operating mainly in the United Kingdom and the Asia Pacific region. The completion of the proposed transaction is expected by the end of 2022.

Covid-19

The global covid pandemic (the "pandemic") continued in 2021 further impacting countries, communities, supply chains and markets. In the UK, Government imposed lockdowns continued for longer than originally anticipated impacting revenue and reducing available opportunities for organic growth as customers further delayed procurement processes. However, the roll out of the UK's vaccination programme, the establishment of the national "Living with Covid-19" plan and the commitment and hard work of our colleagues allowed for the progressive upscaling of activities, allowing the Group to return to pre-pandemic levels of business activity by the end of the period.

A continuing and lasting effect of the pandemic appears to be the increased levels of homeworking which has implications in particular for the Group's catering business in so far as demand for services within the corporate sector is concerned. Similarly, occupancy rates within the hospitality sector have not yet returned to pre-pandemic levels. The financial impact of these challenges has been balanced by increased cleaning services, additional security requirements and maintenance works as workplaces reopen and look to improve hygiene standards and catch up on postponed planned preventative maintenance schedules. With its strong presence in the public sector the Group has also continued to benefit from Government policy, including the Coronavirus Job Retention Scheme, to financially support supply chains with good payment terms, which aids cashflow.

Brexit

The impact on the Group as a result of Brexit was minimal during the year. The Group has not seen any business area report significant EU leavers or a significant shrinking of available talent, and all applications for settled or pre-settled status have been made by the relevant deadlines. The Group also has not suffered any significant disruption in terms of the availability of goods. The Group closely monitored the availability of goods and food products required by various divisions and whilst there is still potential for shortages and price increases, that has not been experienced to date.

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

Business review and development of the business (continued)

Ukraine

The war in Ukraine is only having limited effects on the performance of the UK Group. None of the sanctions enforced by the UK Government or applied by other countries has had any impact on the UK Group either directly or through its customer or supply chain. The war has led to significantly higher inflation than anticipated but this is primarily linked to fuel, energy costs and food inflation. The inflation levels in the remainder of the supply chain are manageable by the business units and are not causing increased levels of risk.

The recent energy price increases were foreseen to a certain extent and significant increases in fuel and utilities prices were anticipated and allowed for in the Group strategic planning. The UK business has also revised its new vehicle list to include more electric vehicles and are encouraging take up of these alongside the next vehicle renewal processes across all staff. Food inflation is challenging at present but the Group's Catering business has excellent strategic relationships with both Customers and Suppliers and is undertaking actions to minimise any impacts through use of seasonal produce, adaptations in service specifications and continued menu management on sites.

Performance and growth

Despite the continuing challenges experienced as a result of the pandemic, the Group still achieved strong organic growth in the year with £119m of new business revenue won in 2021, with significant wins in the retail groceries and public sectors. Revenue increased by 7.9% from £619.1m to £668.2m.

The directors of the Company (the "Board") have continued to concentrate the Group's sales and retention strategies on winning and retaining higher margin, more cash generative business, with focus remaining on sectors that best align with achieving those goals. Gross profit margins have decreased slightly from 15.6% in 2020 to 12.6% in 2021, with benefit expected in future years as contracts won during 2021 mobilise and embed.

The organic growth achieved by the Group comprises a number of significant contract wins, many of which commenced during the year. The Group is anticipating a strong level of organic growth during 2022, due to the full year impact from these contract wins in the prior year, as well as further new contract wins during 2022. The continued success of growing turnover organically can be attributed to the Group's exceptional level of service delivery combined with further development of its facilities management offering and broadening its range of services delivered to new and existing customers. The Group also expects to complete one or more strategic acquisitions during 2022 to cement its platform for further growth, with the first – the acquisition of Incentive FM Group Limited – completed in May 2022.

The Group is in a net asset position at 31 December 2021 of £2.4m (2020: £3.6m liability). This increase is due to the profit for the year. Total assets of the Group were £306.6m (2020: £347.7m) and total liabilities were £304.2m (2020: £351.3m).

Key performance indicators

The underlying performance of the Group was strong during the year. Revenue increased by 7.9% in the year to £668.2m (2020: £619.1m). Gross profit margin for the year was 12.6% (2020: 15.6%). Operating profit decreased by 2.8% to £17.2m (2020: £17.7m).

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 at a Group level for an appropriate understanding of the performance and position of the business, given the non-financial KPI's differ between these divisions.

Future developments

A return to pre-pandemic revenue levels, continued growth, the delivery of strong margins and cash generation are key areas of focus for the Group in 2022, which will be achieved by concentrating on winning new business and retaining existing business in sectors where there is a focus on operational excellence rather than on cost reductions and margin erosion. Systems and process improvements will continue into 2022 to ensure the Group's infrastructure is fit for purpose, and in relation to its people, the Group will build on the foundations laid during the year to encourage a values-based culture focused on diversity and positive engagement.

The Group will also return to pursuing strategically aligned acquisitions which contain synergistic benefits. As a result of this strategy the Group has completed the acquisition of Incentive FM Group Limited in May 2022. Incentive FM Group has an excellent reputation in the industry and brings proven service expertise in a number of sectors which complement and enhance the Group's existing offerings. This will be used as a base to drive further growth in the retail and leisure spaces as well and providing enhanced regional and sector capabilities within the Technical Services and Cleaning business areas. The specialist cleaning division is also a key area of focus to look at how we can expand these offerings and leverage their capabilities across our existing customer base.

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

Principal risks and uncertainties

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

- Health and safety;
- Financial risks such as credit risk, bad debts and availability of capital.
- Political and economic factors;
- Non-compliance with applicable legislation and governance resulting in material liabilities;
- Cyber and IT infrastructure;
- Attraction and retention of key management;
- Customer and contract losses;

Health and safety

The Group has a "people first" philosophy and is committed to ensuring the highest standards of health and safety. A failure to maintain high standards could result in injury or harm to its workforce or third parties and potential prosecution and fines, any and all of which could cause material reputational and brand damage. The Group's business activities are broad (including cleaning, catering, security, building maintenance and repair and design and installation of mechanical and electrical systems) and it operates in many different types of customer environments (including warehouses, schools, healthcare settings, retail stores, corporate offices, railway stations and construction sites), so the types of incidents that could occur are varied. It is essential that all health and safety risks are thoroughly assessed and understood, and appropriate preventative action taken.

In mitigation, the Group has a comprehensive QHSE strategy to deliver the right training and education across the Group and develop safe ways of working, to monitor and audit compliance, and to record and investigate incidents and accidents. The Group has an experienced QHSE team to drive the right behaviours and to provide support and guidance to the wider business and has certified health and safety management systems to provide the framework for delivery of that support. Specific health and safety risks occurred during the year as a result of the continuing pandemic. In response, risk assessments were carried out and method statements and training modules on safe ways of working within the changing environment were produced. Personal protective equipment appropriate to each role was provided, and other measures such as reducing travel, keeping physical meetings to a minimum and encouraging remote working were put in place.

Financial risks

The Group's operations are exposed to several financial risks, primarily credit risk, interest rate risk and availability of funds to meet working capital needs and to enable future growth. In the period and extending into 2022, inflation has proved to be a significant financial risk to be managed. Specific risk mitigation action plans have been established and actioned in relation to this particular financial risk. Due to various high-profile financial collapses within the industry in recent years, perceived risk around the viability of facilities management companies in general may impact the Group's ability to secure funding. In addition, the pandemic may result in customers suffering lower revenue levels or even events of insolvency, impacting the Group's cash collections. These risks continue to be mitigated by the refinancing undertaken during 2018 to a six-year fixed rate debt instrument along with an additional four-year fixed rate debt instrument that was secured during the year at La Financière Atalian S.A.S level. 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. Working capital and cash management continued to be a real focus in the year to ensure financial stability and liquidity during the continuing pandemic. Cash collections have been closely monitored and processes tightened. The Group's extensive public sector customer base has served to benefit cashflow in the year as Government sought to support and protect its supply chain by offering enhanced payment terms.

Political and 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 (such as those caused by the pandemic) 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. As a labour-based business, the Group's financial performance is sensitive to the impact of new or amended labour laws and changes in remuneration or benefits afforded by statute (although the impact is mitigated as far as possible through well negotiated contracts. See 'customer and contract losses' below).

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

Principal risks and uncertainties (continued)

The Group manages these risks as well as it can by carrying out dedicated analysis and planning where needed. 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 decrease sales or increase costs. The majority of the Group's contracts span across multiple years and despite the potential Brexit issues noted, no material reduction of revenue is expected. Additionally, the Group has sought to fix pricing with suppliers as far as possible to mitigate any price fluctuation due to the risks noted.

Non-compliance with applicable legislation and governance resulting in material liabilities

Compliance with laws and regulations is of utmost importance to the Group, especially those laws and regulations centred around health and safety given its "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.

Whilst the Group maintains an extensive insurance programme to protect against financial liabilities, there are some liabilities that are incapable of insuring against and so preventing the liability from occurring is, as ever, the best way to mitigate this risk. The Group continues to invest in its internal legal and compliance teams to ensure that it has the right skills and experience in place to guide the business through what is a complex and changeable legislative and regulatory landscape. Training and awareness programmes remain vitally important, and monitoring completion of training courses has been made easier by improvements to the Group's e-learning platform.

Emphasis is 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 the Group by Atalian Servest Holdings Limited, 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). A whistleblowing policy for the UK is available for all colleagues on the Group's internal intranet and is included in the Group's Colleague Handbook. Mandatory anti-corruption training for senior management run by external legal advisors was also conducted during 2021.

The internal control environment within the Group's Projects division remains under close supervision, with continued plans to strengthen and improve it during 2022.

Cyber and IT infrastructure

The capability and adequacy of the Group's IT infrastructure and the ability to protect against cyber-attacks is critically important in ensuring that it has the tools and the operational processes to meet its contractual obligations and to function effectively and efficiently as a business, delivering value to both our customers and our shareholder. The loss of functionality of a core system or the loss of data would cause significant disruption to the business and would damage the Group's reputation with customers and other third parties. Should the loss of functionality or data be caused maliciously the Group may also incur significant financial expense in recovering the same.

Where legacy systems are still in use across the Group there is a risk that they will be prone to failure and become unsupportable as spares become more difficult to source. To mitigate the risk that poses, the Group has worked through a decommissioning programme to move more core systems into the cloud, and it has invested in technology to improve resilience and protect against cyber threats. Information security has been a regular focus, with colleagues required to undertake awareness training on a regular basis and emphasis on security by design.

Significant work has continued in the year to harmonize the Group's accounting platforms to achieve consistent, timely reporting across all business units. Although the timetable suffered a delay due to pandemic related disruption, further divisions were successfully migrated onto the new platform during 2021.

Attraction and retention of key management

Attraction and retention 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. The loss of existing talent would result in a loss of knowledge and expertise which may disrupt business and impact the overall operation of the Group.

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

Principal risks and uncertainties (continued)

With attraction and retention of key management and the wider workforce in mind, the Group has improved its recruitment processes and development work has begun on a new on-boarding process to give new employees the best landing into the business. Interview training has been given to hiring managers and emphasis has been placed on removal of any barriers to equality through the launch of CHROMA (our Board sponsored networks focussed on ensuring diversity and inclusion in the workplace – CHROMA stands for Creating Harmony, Respecting Others, Making Allies).

Customer and contract losses

The Group recognises the ongoing challenge to deliver quality services to customers at competitive rates and it has demonstrated its capabilities in this area through the organic growth within its existing customer base and its success in winning new contracts. The Group is 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 the Group's operational teams can take on the mantle and deliver service excellence as, once mobilised, the Group needs to be confident it can perform 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 award. In terms of the steps taken post-contract commencement to mitigate this risk, the Group's 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 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.

Section 172(1) statement

The following disclosure forms the statement required under section 414CZA of the Companies Act 2006 (the "Act") and sets out how the Board has considered stakeholder views and met the requirements of Section 172(1) of the Act in Board discussions and decision-making throughout the financial year. It explains how the Board has engaged with key stakeholders and how material decisions have been reached, what the likely impact of those decisions are, and how the views of stakeholders have been considered in the decision-making process.

Stakeholder Engagement

Building strong relationships with key stakeholders is imperative to the long-term success of the business, and the Group recognises that it is only by engaging with stakeholders that it can understand the issues that matter to them and make responsible, sustainable decisions that have regard for their interests. As the Company is the head of the Group, decision-making by the Board almost always affects stakeholders of each company in the Group as many decisions serve to set Group-wide policies, practices and behaviours that are implemented by each member of the Group. Accordingly, the stakeholder groups listed below are both the Company's and the Group's key stakeholder groups, and the engagement detailed is engagement with the relevant stakeholder group for each member of the Group.

Workforce	
Why they matter	The Group employs approximately 28,000 people in the UK and Ireland. As a provider of outsourced facilities management services that is largely dependent upon labour, people are key to the successful delivery of its services. Engaging with its people to provide them with information on matters of concern to them, to obtain their views, to encourage involvement and to achieve a common awareness of business successes and challenges is critical in ensuring that the Group has an engaged and enthused workforce.
What matters to them	Acknowledgment; recognition and reward; workplace safety; equally fair treatment and opportunity; an alignment between personal and Company values; feeling involved and engaged; regular and consistent communication; health and well-being; opportunities for personal development, job security.

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

<p>How the Group engages and responds</p>	<p>Examples of how the Group engaged and responded to matters of concern for this stakeholder group, together with examples of initiatives that continued to progress in the year, are as follows:</p> <ul style="list-style-type: none"> - the Group utilised its management structure to cascade key messaging to employees regarding changing working patterns and revised operational solutions implemented as a result of the pandemic and continuing lockdowns, with regular central communications distributed to share health and safety advice, business updates and new policies devised to inform and safeguard the workforce (such as a new pandemic specific special absence policy and a dedicated "working from home" pack). Upon the reopening of our office environments, the Group issued "return to the office" packs to employees returning to office-based working with useful information and guidance and made available free covid tests in each of its offices to help ensure working environments were safe; - with a view to prioritising good mental health (particularly following the pandemic and the challenges it created) the Group offered third-party facilitated "stress and mental health in the workplace" workshops in the period to give managers tips on spotting signs of stress and poor mental health in themselves and their team members, together with guidance and tools to lower stress levels and improve mental health; - the Group continued the use of its bespoke track and trace system for the reporting and monitoring of Covid-19 cases, allowing visibility of business units and locations impacted by the continued spread of the virus (which enabled preventative action as well as advanced business planning and communication); - the first finalists in the Group's innovation challenge, the "One" (an internal competition to inspire and engage with the workforce) presented to the Board, with the winner announced in April 2021. The project saw a platform made available to the workforce through which ideas for innovation could be submitted that align to the Group's corporate values of entrepreneurial spirit, integrity, sustainability, simplicity and agility. Run as a competitive challenge, employees were invited to submit ideas for the opportunity to develop the idea with the help of a coach (senior employees from the wider business) and to ultimately present the idea to the Board; - the Group continued to improve and advertise its learning and development brand, "Opportunity", to place emphasis on training and education with a view to enhancing career development opportunities for the workforce; <p>CHROMA, the Group's colleague-led diversity & inclusion platform, took root during 2021 with committee meetings, events, the cascading of information and regular awareness initiatives communicated both internally and externally. Each CHROMA network is sponsored by one or more Board members who attend meetings and help to drive change with a view to removing barriers to equally good opportunities and to promote an inclusionary environment, with the initiative recognised at the annual IWFM awards (winning the Institute of Workplace and Facilities Management 2021 Diversity Initiative Award).</p>
<p>Outcomes and actions following engagement</p>	<p>The following outcomes and actions resulted from engagement with the Group's workforce:</p> <ul style="list-style-type: none"> - building on the championing of inclusionary topics, a decision was made to expand one of the CHROMA networks to also specifically include gender as a focus. Whilst always recognised as a topic needing dedicated thought and activity to improve gender diversity and inclusion, the Group listened to employee feedback and added it to the CHROMA network platform; - having received feedback from employees, the Group signed up to the workplace testing scheme to allow it to participate in the covid testing drive and provided covid testing kits free of charge to employees working in its office environments;

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

	<ul style="list-style-type: none"> after a sustained period of working from home, office-based employees requested flexible working arrangements as a continuing benefit. In response, the Group launched a new informal flexible working arrangement allowing for home working to continue (with a balance of working hours to be spent in the office); a frequent request from employees in the period was for more awareness of the rewards and benefits available to them. The Group launched a campaign during December 2021 to daily communicate to employees regarding the benefits and rewards on offer, taking the opportunity to also introduce some new benefits.
Customers	
Why they matter	The Group aims to become a trusted partner to its customers. To achieve this, the Group strives to deliver service excellence in a sustainable way and engage effectively with its customer base to understand each customer's wants and needs. Strong customer relationships lay the foundation for long-term success and so is of critical importance to the Board.
What matters to them	Consistency of supply; service excellence; transparency; efficiency; value for money; trusted long-term partnerships; sustainability; innovation and new technologies; responsiveness.
How the Group engages and responds	<p>Strong customer relationships and the ability to collaborate effectively were key in 2021 given the challenging working environments caused by the pandemic. Examples of how the Group have engaged and responded to this stakeholder group are as follows:</p> <ul style="list-style-type: none"> Board level involvement with the customer base has continued in 2021 by way of a formal Board sponsorship programme to ensure that customer needs and concerns are communicated to those responsible for making wider business decisions. Many (virtual) meetings and some site visits have been attended by the Chief Executive Officer, the Chief Operating Officers, the Chief Financial Officer and other Board members; Virtual roundtable events were held with key public sector customers to discuss the challenges and opportunities the Group could support them with. Discussion topics ranged from property optimisation to community engagement, carbon net zero commitments and recruitment. These events provided the Group with valuable insight and allowed like-minded entities to share best practice in an open forum environment; The Group engaged with customers regularly throughout the period to understand how they could work together to achieve the customer's corporate social responsibility aims and how working in partnership could achieve enhanced levels of social value impact; With widespread continuing concern around health and hygiene as a result of the pandemic, the Group disseminated a range of relevant information to customers to assist them with implementing high standards of cleanliness on their properties.
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with our customers:</p> <ul style="list-style-type: none"> In partnership with one particular customer, London North-Eastern Railway, the Group achieved a social value impact of over £10,000,000 through a commitment to local employment, enhanced learning and development opportunities and increased use of the apprenticeship scheme; The Group provided enhanced sanitisation services (including touchpoint cleaning and deep cleans) to help customers reduce the risk of covid-19 infections for the benefit of their employees, visitors and local communities, supporting local authority customers with the sanitisation of Covid Test Centres.
Suppliers	
Why they matter	Establishing a network of known and trusted suppliers helps the Group in providing a national service at competitive prices. Treating suppliers as partners rather than simply a supply chain encourages strategic commitments that are capable of being monitored, managed and developed for the good of all stakeholders.

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

What matters to them	Opportunities for growth in supply; trusted long-term partnerships; collaborative relationships; profitability; good health and safety culture; payment in accordance with agreed payment terms.
How the Group engages and responds	<p>Examples of how the Group engages and responds to this stakeholder group are as follows:</p> <ul style="list-style-type: none"> - The Group has a clearly defined supplier on-boarding process, during which suppliers are made fully aware of our expectations around ethical supply practices, quality and service standards; - To ensure that suppliers are treated as strategic partners rather than just a supply chain the Group holds periodic account reviews and engages in supplier relationship management as a matter of routine. This includes audits to ensure that the supply chain has a zero-tolerance approach to modern day slavery and human trafficking; - Where an area of spend is especially large or bespoke, the Group creates a specialist within the team to look after that spend and become familiar with the needs, requirements and practices of that supply base; - Individuals in all of the Group's strategic procurement roles are required to obtain and maintain the CIPS (Chartered Institution of Purchasing and Supply) corporate code of ethics mark in order to remain abreast of the latest developments and trends within the sourcing field. This enables the Group to remain able to advise its suppliers of the standards and commitments required in a professional procurement environment.
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with our suppliers:</p> <ul style="list-style-type: none"> - We partnered with Kimberly Clark to provide the RightCycle program to a number of Clients. When updating dispensers for lower usage options (which are better for the planet), our partner will remove the dispenser, recycle it and provide an environmental impact award to us confirming the weight of waste that was diverted from landfill. We also worked with them on closed loop towel collection. Kimberly Clark remove used towels from site, recycle them into new paper towels which are then used at site creating a perfect closed loop. - We held our annual supplier conference within our Catering division with over 20 key partners attending to not only exhibit but also share dinner with the team, have some drinks and fully engage in our vision for our supply chain. It's extremely important to the Group to make those strategic partners feel integrated into our organisation to drive value to our clients. - The Procurement team moved to a category management structure to help foster and develop relationships with stakeholders and suppliers in a more sustainable way. By empowering members of the team to become experts in certain areas of the business, it has enabled Atalian Servest to better serve its customers, suppliers and stakeholders by strengthening the supply chain with additional knowledge and focussed support. - We now measure our partners on more ESG criteria than ever before. To add to the existing KPI's in place for suppliers we are now measuring waste to landfill; energy from waste; employees trained on ethics and number of apprentices within our supply chain. This is all intended to not only manage our supply chain and work with suppliers that align to our values but also improve the community as a whole and support a more sustainable planet.
Communities and Environment	
Why they matter	<p>The Board recognises that in operating a responsible business it has a duty to the environment and to the communities in which the Group operates to drive positive change. CSR (Corporate Social Responsibility) by design is a focus for the Group in order to help achieve its own targets and in order to help its customers achieve their sustainability targets. The Group is an employer of significant size in Bury St. Edmunds (one of the locations in which the Group has an office environment) and so plays a key role in offering employment and opportunities for people in that area.</p>

Atalian Servest Limited

Strategic Report (continued)

for the year ended 31 December 2021

What matters to them	Employment for local people; investment in the local community; environmentally friendly operations; sustainable practices; that the Group are "good neighbours"; support for local initiatives and developments; charitable giving.
How the Group engages and responds	<p>Community and environment activity was focussed in 2021 around collaborations with customers and improving energy efficiency in our operations.</p> <ul style="list-style-type: none"> - As the private security provider for the G7 Leadership Summit in Cornwall in 2021, the Group recognised that its activities in preparing for and delivering a security solution involving over 700 security officer would have a significant impact on the local community. The Group engaged extensively with its customer, the FCDO, to minimise the impact of its presence in the location to the local community; - To register its support for the armed forces community the Group continued as a signatory to the Armed Forces Covenant, committing to action to support ex-military personnel in careers outside of military service; - The Group engaged with local schools and colleges in and around Bury St Edmunds to offer work experience placements to students exploring career opportunities; - The Group published its carbon net neutral plan, setting out how it intended to achieve carbon net neutral status by 2030 (exceeding the government's target of 2050 by 20 years). Refer to principal decision 1 below;
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with the Group's communities and environment:</p> <ul style="list-style-type: none"> - The Group built a sustainable temporary accommodation village to house all security officers working at the G7 Leaders Summit and following completion of the event donated 400 sets of bedding to Cornwall Care, Cornwall's largest independent care provider; - Representatives of the Group attended and exhibited at the JobOppo Recruitment Event which was in support of veterans looking for second careers when transitioning from military life to civilian life; - In partnership with Bury Town Football Club the Group has committed to provide professional skills development for players and help with securing employment opportunities (both within the Group and externally by offering CV advice and mock interview training). - Please find the businesses Streamlined Energy and Carbon Reporting data disclosed on Pages 19 & 20.
Government, Regulators and Other Authorities	
Why they matter	As a large business employing a significant number of employees working in a variety of sectors, the Group's engagement levels with government, regulators and other authorities (both as our customers and otherwise) are high. A number of its service lines and activities are licensed or regulated (by the Security Industry Authority and the Gangmaster and Labour Abuse Authority, for example) and so regular engagement helps to build effective channels of communication which makes operational matters run more efficiently.
What matters to them	Transparency; strong corporate governance and controls; business efficiency; clear reporting; collaboration.
How the Group engages and responds	<p>Engagement with and response to this stakeholder group during 2021 has been via a number of channels:</p> <ul style="list-style-type: none"> - Individuals within the Group have maintained and developed key relationships with contacts at the relevant authority/regulator and have been proactive in their communications, seeking advice and guidance where necessary; - The Group necessarily dedicated significant resource in 2021 to monitoring Government instruction and advice concerning the pandemic;

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Strategic Report (continued)

for the year ended 31 December 2021

	<ul style="list-style-type: none"> - Regular communication with contacts at HMRC was had with a view to ensuring that the Group's use of the furlough scheme was operating in accordance with HMRC guidance.
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with the government, regulators and other authorities:</p> <ul style="list-style-type: none"> - Successful utilisation of the furlough scheme (total claims for the year ended 31 December 2021 £16.4m); - Continuation of an internal controls project to check and self-audit the quality of key controls within the Group aimed at ensuring good governance, accountability and transparency.
Shareholders and Banking Partners	
Why they matter	<p>The Board has a statutory duty to promote the success of the Company for the benefit of its shareholders. As the owners of the Company, the direction and approval of the shareholders in regard to operational and financial performance and the way in which business is carried on is both necessary and desirable. Similarly, the Group's financial and banking partners have a keen interest in performance and results. The agreement and consent of both shareholders and financial and banking partners is required in order for the Board to take certain actions and/or make certain decisions.</p>
What matters to them	<p>Clear strategy and good execution; financial costs discipline; regular detailed reporting; strong returns; protecting and enhancing the corporate reputation.</p>
How the Group engages and responds	<p>In addition to the usual reporting methods, the interests of this stakeholder group have been responded to as follows:</p> <ul style="list-style-type: none"> - Periodic planned relationship meetings take place regularly with the Group's financial and banking partners to allow for information exchange and future planning; - Working capital needs were reviewed and discussions with banking partners took place around the implementation of a new invoice factoring facility;
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with the Group's shareholders and banking partners:</p> <ul style="list-style-type: none"> - The Board resolved to increase its invoice factoring facility to support the financial needs of the Group. Refer to principal decision 4 below; - The continuation of a new internal controls project (as detailed above).

Principal Decisions

The Group defines principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholders.

In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct.

Principal Decision 1: Publishing a Carbon Net Neutral Commitment

As a major supplier to the UK Government the Group has been set the target to achieve carbon net zero status by 2050. During the period the Group developed a defined plan to deliver that target and, in debating the steps to be taken and the changes to be implemented, the Board resolved to work towards a much more ambitious target of 2030. View the roadmap approved by the Board at www.atalianservest.co.uk. In developing the plan and redefining the target completion date the Board considered the interests of the communities within which it operates and the wider environmental impact such a commitment would have and resolved that the decisions being made would positively affect both. The Board also recognised that in tackling this issue at speed it would be developing new ways of working and taking learnings that could be shared with both the Group's customers and suppliers, helping to cement those relationships for the future by adding further value.

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Strategic Report (continued)

for the year ended 31 December 2021

Principal Decisions (continued)

Principal Decision 2: Continued use of Furlough Scheme

With the impact of the pandemic continuing into 2021 the Board resolved to continue to utilise the support offered by the Coronavirus Job Retention Scheme in the UK, albeit on a reducing basis throughout the period until the scheme closed. This decision was made with a view to protecting as many job roles as possible for the long-term benefit of the Group's employees and with a view to preserving the Group's liquidity ultimately for the benefit of its shareholder. Just as in the prior period, the Board took the view that any short-term impact (such as the reduction in wages received by furloughed employees) was outweighed by the long-term benefit of these decisions. The scheme ended September 2021.

Principal Decision 3: Consolidation of Hard Services Operational Leadership

During the period and as a result of a strategic decision to prepare for growth of the Group's hard services divisions the operational leadership team was strengthened by the creation of a new C-suite position – Chief Operating Officer Hard Services – bringing three separate divisions under the leadership of this role to unify and align these areas of operational delivery. Considering the interests of its customers, the Board resolved that the creation of this role and the appointment of Steve Wallbanks (previously Managing Director of one of the hard services divisions) into the role would enhance the customer experience by improving service quality, allowing for the sharing of resources and giving the consolidated oversight needed to drive efficiencies in process.

Principal Decision 4: Increase to Invoice Factoring Facility

Reviewing the Group's working capital needs in the year it was resolved by the Board that, although current levels of working capital were adequate for the existing needs of the business, looking ahead to 2022 it would be beneficial to (a) secure an increased working capital facility and (b) bring additional Group companies into the facility. In making this decision the Board considered the interests of suppliers and took the view that the decision would help to ensure adequate funds are available for prompt payment. Having resolved to increase the basis of its working capital facility, certain companies in the Group (including the Company) entered into an amended invoice factoring arrangement effective within the period, with the intention to bring additional Group companies into the facility during 2022.

Principal Decision 5: Transition to new ERP system (Dynamics 365)

During 2019, the Group made the decision to migrate to a new ERP system (Dynamics 365). The first entities in the Group went live on Dynamics 365 as of 1 January 2020, with the majority of the remaining entities migrating during the course of 2020 and further entities continuing to migrate within 2021. The implementation of Dynamics 365 across the Group will lead to enhanced reporting and efficiencies in financial processing. There is one final UK entity set to migrate in 2023 and all UK components are expected to be in Dynamics 365 by the end of 2023.

Principal Decision 6: Re-classification of capital contribution

The sole shareholder of the Company made a capital contribution of £50m to the Company in December 2018. In the period the Board reviewed the need to maintain the capital contribution reserve at its existing levels and resolved that it would be more preferable for this figure to be converted into distributable reserves to give additional flexibility to declare future dividends for the benefit of its shareholder. Having considered the impact on stakeholders (and in particular the increased ability to return value to its shareholder) the Board resolved to take steps to convert the capital contribution into distributable reserves by capitalising the £50m and then carrying out a reduction of capital.

Future outlook

A return to pre-pandemic revenue levels, continued growth, the delivery of strong margins and cash generation are key areas of focus for the Group in 2022, which will be achieved by concentrating on winning new business and retaining existing business in sectors where there is a focus on operational excellence rather than on cost reductions and margin erosion. Systems and process improvements will continue into 2022 to ensure the Group's infrastructure is fit for purpose, and in relation to its people, the Group will build on the foundations laid during the year to encourage a values-based culture focused on diversity and positive engagement.

The Group will also return to pursuing strategically aligned acquisitions which contain synergistic benefits. As a result of this strategy the Group has completed the acquisition of Incentive FM Group Limited in May 2022. Incentive FM Group has an excellent reputation in the industry and brings proven service expertise in a number of sectors which complement and enhance the Group's existing offerings. This will be used as a base to drive further growth in the retail and leisure spaces as well as providing enhanced regional and sector capabilities within the Technical Services and Cleaning business areas. The specialist cleaning division is also a key area of focus to look at how we can expand these offerings and leverage their capabilities across our existing customer base.

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Strategic Report (continued)

for the year ended 31 December 2021

Future Outlook *(continued)*

The business had a strong start to 2022, performing well in the first half of the financial year and meeting or exceeding budgeted targets on an EBITDA basis. On this basis, the Board believes that the Group is well placed to operate sustainably as the pandemic period comes to an end and return to working towards achieving growth plans and performance targets post-pandemic.

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

T. Evans

Director

Date: 26/09/22

Atalian Servest Limited

Directors' Report

for the year ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Company and its Group during the year was that of facilities management.

Results and dividends

The profit for the year, after taxation, amounted to £6.0m (2020: £4.0m).

The Directors did not recommend payment of a dividend during the year (2020: £nil).

Directors

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

D. Dickson
T. Evans
S. Fisher
L. Ryan
M. Chapman (resigned 5 May 2022)
J. Venter
P. Watts
K. Howell (resigned 1 July 2021)

Financial instruments

Please refer to the financial assets and liabilities note to the financial statements (note 26).

Political donations

No political donations were made in the year (2020: £nil).

Engagement with employees

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 formal and informal meetings and through the internal communication programme involving the Group's intranet and e-shots. 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. More detailed references to the forms of engagement with employees is contained in the section 172(1) statement in the Strategic Report, together with examples of how the needs and views of this stakeholder group are considered and have influenced decision-making by the Board.

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.

During the period the Group achieved the Disability Confident Employer (level 2) standard under the Government's "Disability Confident" scheme.

Engagement with suppliers, customers and others

Strong business relationships with customers, suppliers and other third parties are critical to the long-term success of the Group, so a partnership ethos is encouraged to create sustainable relationships. Communication is so often the key to understanding each party's wants and needs. That being the case, regular meetings are held, and site visits conducted to ensure that there is sufficient opportunity for dialogue. More detailed references to the forms of engagement with suppliers, customers and third parties is contained in the section 172(1) statement in the Strategic Report, together with examples of how the needs and views of these stakeholder groups are considered and have influenced decision-making by the Board.

Post balance sheet events

Please see note 74 for further details on post balance sheet events.

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Directors' Report *(continued)*

For the year ended 31 December 2021

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 profit after tax of £6.0m for the year reducing its net asset position to £2.4m (2020: £3.6m liability). The Group continued to be liquid and closed with a cash balance of £8.3m (2020: £17.3m). Current assets cover current liabilities by 1.0 times (2020: 1.3 times).

As part of the assessment of going concern the Directors considered the impact of COVID-19, the war in Ukraine and the current inflation levels on the forecast revenue, EBITDA and cashflow taking into account the mitigating actions the Directors have implemented to maximise the Group's available liquidity over the forecast period to 31 December 2023. The mitigating actions included using the strategic supplier and customer relationships built during the COVID-19 period and pro-actively negotiating with both customers and suppliers around cost increases and what joint actions can be taken to minimise the impact of these. The Group has also continued the strong framework of rigorous management of its operating expenses and strong contract management. Through these measures, the Group anticipates being able to mitigate the impact of these matters on its financial results and on its liquidity with no shortfall.

The Group has taken and continues to take steps to manage its cash position and maintain its liquidity. The Directors have considered the availability of support from the treasury function managed by La Financière Atalian S.A.S. and the ability of the Group to continue to provide that support. 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 £39.6m (2020: £7.8m) worth of factored receivables under a facility with a limit of £50m (2020: £35m). This will provide the Group with additional source of funds as required.

As a result of these measures, the Directors are satisfied that the Group has sufficient resources and liquidity available and therefore have reasonable expectations that the Group will be able to continue in operational existence for the foreseeable future. The Directors have also considered the availability of support from the treasury function managed by La Financière Atalian S.A.S. and the ability of the Group to continue to provide that support. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

Subsequent to the year end, Atalian Holding Development & Strategy, the majority shareholder of La Financière Atalian ("LFA") together with the minority shareholders of LFA, have received a binding and irrevocable offer from Clayton, Dubilier & Rice ("CD&R"), a global private investment firm. The relates to the acquisition by CD&R of the entire share capital and voting rights of LFA. The directors do not envisage that the acquisition will trigger any changes to the funding arrangements and the current going concern assessment is not reliant on the completion of this transaction. Overall, the Directors do not consider that this transaction will give rise to any changes to the going concern assessment of the UK Group. Please see note 30 for further information regarding this matter.

As a result of the proposed transaction with CD&R, there is a potential that the Group's UK borrowings disclosed in Note 20 are restructured. The directors have an expectation that the terms of any restructured debt would mirror the term of the external debt being raised as a result of the transactions and this would extend beyond the current repayment date.

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 year. Under that law the directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the Company financial statements in accordance with United Kingdom Adopted International Accounting Standards (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 the Company and of the profit or loss of the Group and the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

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Directors' Report (*continued*)

For the year ended 31 December 2021

- provide additional disclosures when compliance with the specific requirements in the International Financial Reporting Standards and in respect of the parent company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK adopted International Accounting have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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 year, 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 year and remain in force.

Corporate Governance Statement

To facilitate compliance with reporting obligations in the Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations'), the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018) (the 'Wates Principles'), given its flexible and non-prescriptive approach, is adopted as the Company's corporate governance code for the year ended 31 December 2021 to help achieve and evidence good governance and responsible business practices.

Similarly, each company in the Group adopted the Wates Principles as its corporate governance code for the year ended 31 December 2021 to ensure consistency. The Board sets out below how the Wates Principles have been applied in the year.

Principle 1: Purpose and Leadership

"The directors should promote a well-developed and defined purpose, leading by example, engaging with stakeholders and setting a tone from the top. They should monitor company culture and articulate the strategy and business model throughout the Company."

Strong leadership is provided by the Board which is led by the Chief Executive Officer for the Group and supported by the management board of the global Atalian business (discussed further in relation to Principal 2 below).

In terms of purpose, the Group's purpose was formalised by the Board during 2019 in order to guide strategy, decisions, behaviours and culture. Whilst it was felt by the Board that the defined purpose was simply an articulation of the pre-existing purpose, the process of formalising it in writing and communicating it to the Group brought clarity and enabled it to act as an anchor for decision-making at all levels. Accordingly, the Group's purpose - *"to appreciate and value our partners, delivering trusted sustainable solutions through responsive, passionate people. A reputation for excellence"* - is included in strategy documents, is discussed with senior leaders and is frequently communicated to the wider workforce by way of inclusion in email updates.

To achieve its purpose, the Group draws on its corporate values (integrity, entrepreneurial spirit, agility, simplicity and sustainable development), and it encourage behaviours that enhance the working environment it tries to create (one that is open, inclusive, professional, fair and safe). Significant effort is made to ensure that the Group's values are regularly and consistently communicated. For example, the values are visually displayed in its office environments (both via screens and value posters) and regularly feature in internal communications and on the Group's intranet, new programmes and initiatives are only approved after review of a proposal evidencing how the programme or initiative links to and otherwise supports one or more of the corporate values. The Group runs an annual competition for its colleagues, "The One", which encourages the submission of new innovative ideas linked to its corporate values. The revised induction process also gives new joiners an insight into what the corporate values are and why they are considered important to the business.

Atalian Servest Limited

Directors' Report (continued)

For the year ended 31 December 2021

The Board plays an active role in embedding the purpose, culture and values in the Group, both in its office and operational environments. Each Board member has a visible presence in the business and regularly engages with different parts of its workforce, whether through monthly business reviews or project meetings or "on the ground" days or otherwise. Monthly "Q&A" sessions are held with different teams invited to meet with the Board to ask questions and discuss matters of interest

to them. Success is monitored via the quality and frequency of linking new business initiatives and divisional strategies to the Group's purpose and values, and via channels of feedback to the Board such as the monthly Q&A sessions and employee surveys.

Principle 2: Board Composition

"The Company's board should have an effective chair and a balance of skills, backgrounds, experience and knowledge that promotes diversity. The size of the board should match the scale and complexity of the Company, directors should be regularly evaluated, and companies should consider the value of appointing non-executive directors."

The composition of the Board has been consistent since 2018/19 (bar a couple of resignations in the ordinary course), and its members have been appointed to ensure a balance of skills, backgrounds, experience and knowledge. Many of the Board members have worked for and with the Group for significant periods of time and so are extremely well acquainted with the business. The composition of the Board is considered appropriate for the size and complexity of the Group.

The matter of diversity at Board level was consciously addressed during 2019 to ensure that the Board was more reflective of the Group's diverse workforce. Profiles for each Board member can be found on the Group's website at <https://www.atalianservest.co.uk>. Diversity and inclusion topics are discussed regularly at Board level. The Board set measurable D&I targets during 2020 to drive further commitment and focus.

The Chief Executive Officer is also appointed Chairman of meetings of the Board, and so there is no separation of those roles. However, open debate and constructive discussion is always promoted, often by way of round-table opinion gathering and active requests for challenge. Directors have equal voting rights when making decisions, except the Chairman of the meeting who has a casting vote.

All members of the Board are executive directors. As a subsidiary group of the global Atalian group, and as the ultimate parent company has a number of non-executive directors, the Board considered that the value brought by non-executive directors (with additional experience and skills and an element of independence) was already being received via the parent company appointments. Accordingly, no appointments of non-executive directors have been made by the Group. This will be regularly evaluated.

The duties of the Board are executed partially through committees. The Audit & Risk Committee has delegated powers to oversee the Group's financial reporting, risk management and internal controls procedures together with responsibility for running the external audit process. The Remuneration Committee is mandated to review, agree and set remuneration and associated remuneration policies for members of the Board and for the wider workforce.

Board members update their skills and knowledge regularly to ensure their effectiveness. For those with a professional specialism (such as finance and legal), external training is undertaken each year by way of attendance at seminars, training courses and conferences and via webinars and other online training offered by professional bodies and by practice specialists. For those with an operational focus, familiarity with the Group is kept current by regular visits to sites, meetings with customers and active involvement with the management of the divisional business and workforce. Each Board member received written information about the legal duties and responsibilities of directors when joining the Board, refreshed periodically. All Board members also have access to the internal legal team and the global Atalian group's dedicated compliance team for advice on legal, compliance and corporate governance matters. Performance is formally evaluated during annual appraisals, during which individual KPIs are set for the following year.

Principle 3: Director Responsibilities

"Companies should implement policies that clearly set out their directors' authority, accountability, role and conduct. Boards should encourage internal challenge and establish robust internal procedures to ensure systems and controls operate effectively."

Accountability and Responsibilities: Board members have a clear understanding of their role and responsibilities. A programme of 12 Board meetings is set at the beginning of each calendar year to allow the Board regular opportunity to meet and review business matters, together with strategy planning sessions in Q4 each year to discuss and define the Group's strategy for the following year. Each Board member, as well as the wider senior leadership team and the remainder of the workforce, are expected to comply with the Group's Code of Conduct (which is a code that is applicable throughout the global Atalian group), and is required to complete a declaration of compliance on an annual basis. Additionally, conflicts of interest and details of gifts, entertainment and hospitality received and given are declared in writing on an annual basis and are submitted to the Group's local compliance officer (who discloses the information to the global compliance team).

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Directors' Report *(continued)*

For the year ended 31 December 2021

Reporting lines for senior management ensure that there are clear lines of accountability and responsibility within the Group. Senior leadership organisation charts are often communicated to the wider workforce by inclusion on the quarterly email update sent by the Chief Executive Officer.

Committees: Whilst retaining responsibility for decision-making, the Board utilises committees to aide with matters such as financial reporting, risk and remuneration. Details of the matters delegated to the Audit & Risk Committee and to the Remuneration Committee are set out against Principle 2 above. Each of these committees has a written mandate that has been approved by the Board and which clearly defines the authority and the terms of reference of such committees.

Integrity of Information: The Board receives regular and timely information by way of a rolling calendar of standing and periodic agenda items. Reports on key aspects of the business such as health and safety, legal and risk, financial performance, operational matters, new business opportunities and marketing activity are delivered as standard at each meeting of the Board. In addition to information delivered at Board meetings, the Board also meets with each divisional senior management team on a monthly basis for an in-depth divisional business review, receiving information specific to the performance, risk, opportunities and activity of that division.

Principle 4: Opportunity and Risk

"The board should consider how the Company creates value over the long term and identifies future opportunities for innovation. It should oversee how risks to the Company (including reputational risk) are managed, which should include establishing an internal control framework and may include delegating responsibility to a committee."

Risk management is a key function of the Board, which involves balancing protection of the Group's assets on the one hand with taking the opportunities that will maximise the long-term success of the Group on the other. The Board aims to set the right tolerance for risk at any given time to ensure that this balance is achieved.

Opportunities are recognised at all levels and in all business areas and are generally communicated up a reporting line to the appropriate decision maker. Where an opportunity does not fit with the Group's defined strategy or requires expenditure outside of an approved budget or requires a commitment from the Group to certain terms and conditions then there are set approval processes to follow before the opportunity can be progressed. In particular, new customer contracts above a certain defined value must be formally presented to the Board to enable challenge to the solution and pricing model and allow for acceptance of the commercial terms.

Innovation is encouraged by the Board in all its forms, with particular emphasis given in recent years to digital and process innovation. In order to encourage all members of the workforce to submit ideas for innovation the Board opened a new initiative, the "One", in 2020 with the aim of identifying new ideas to improve our business and to recognise one of our colleagues as being the entrepreneur behind the idea.

The Group's risk management practices were reviewed and amended during 2019 to ensure that inherent and emerging risks are being identified, recorded and reported to senior management internally by each of its operating divisions and central function departments. A greater emphasis was placed on the importance of the requirement of each division and each department to maintain a local risk register (with the support of the central risk management function) to encourage a risk-aware culture across the whole business. Key risks from the local risk registers are fed into the Board's risk register that is presented to the Board on a monthly basis for review and consideration. Risks with the highest residual risk rating (after taking account current mitigating actions) have written action plans against which the Board monitors progress. On a periodic basis the Board and the Audit & Risk Committee receive written analysis of the key risks on each divisional and departmental risk register to aide them in managing risk and to identify themes and common issues affecting different business areas.

Principle 5: Remuneration

"Director and senior manager remuneration should be aligned with performance, behaviours and achieving the Company's purpose and values. There should be clear policies to enable accountability to shareholders, and some boards may wish to create a remuneration committee to design executive remuneration structures."

In reviewing and setting remuneration levels, the Remuneration Committee's main objective is to attract and retain talent at rates that are at least consistent with market standards. With clear terms of reference, the Remuneration Committee is responsible for making recommendations concerning pay for the Group's workforce to the Board. In doing so, it benchmarks against competitors and other businesses in the sectors in which the Group operates. It also takes into account any instructions received from its parent group and any considerations imposed by customer contracts.

In relation to the wider workforce, the Group has a high level of TUPE activity (activity to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applies), as is usual in the industry as service provision changes occur as and when contracts for the delivery of outsourced facilities management services are won and lost. That being so, a large majority of the workforce transfer into the Group under TUPE with pre-existing terms and conditions of employment and levels of pay. To a large extent the terms of the commercial contract with the Group's customer will determine any flexibility the Group has to amend levels of remuneration in respect of colleagues assigned to that contract.

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Directors' Report (continued)

For the year ended 31 December 2021

Principle 5: Remuneration (continued)

The Board and the wider senior management team all have elements of their remuneration packages that relate to and depend upon realising set key performance indicators. The key performance indicators are set annually and concentrate efforts on matters of strategic importance to the Group.

In 2021 the Group reported under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 which requires UK employers with 250 employees or more to produce and report a Gender Pay Gap Report each year. The Group has five legal entities within the UK which employ 250 or more employees and so reported for each of them using a "snapshot date" of 5 April 2021. The Company, being the largest employer and trading entity within the Group (which also employs a significant proportion of the UK's senior leadership team), achieved a mean gender pay gap of 6.74% and a median gender pay gap of 0.00% for 2020. These results show improvement since 2018 and with the continued focus on CHROMA the Group is aiming to work towards reducing the gender pay gap further.

Principle 6: Stakeholders

"Directors should foster effective dialogue with stakeholders to understand the effect of the Company's practices and re-align strategy. These stakeholders will include the Company's workforce, customers and suppliers, but may also include regulators, governments, pensioners, creditors and community groups. In particular, the Company should establish a range of formal and informal channels for communicating with its workforce."

Building strong relationships with key stakeholders is imperative to the long-term success of the Group, and the Board recognises that it is only by engaging with stakeholders that it can understand the issues that matter to them and make responsible, sustainable decisions that have regard for their interests.

In the opinion of the Board, the Group's key stakeholders are its workforce, its customers, its suppliers, local communities and the environment, governments, regulators and other authorities, and its banking partners and shareholders. The section 172(1) statement in the strategic report sets out in detail how the Company and the Group has engaged with its stakeholders and how it has considered the interests of stakeholders in decision-making.

Streamlined Energy and Carbon Reporting

The Group recognises its responsibility to minimise its impact on the natural environment and continues its commitment to reduce its energy consumption and carbon emissions. With both ISO14001 and ISO50001 certifications, sustainable and efficient energy management is high on the Group's agenda.

Environmental data for the Group is detailed below:

	2021	2020* (restated)
Energy		
Electricity consumed across owned/leased buildings (kWh)	963,137	936,009
Gas consumed across owned/leased buildings (kWh)	212,896	270,705
Fuel used by fleet for business travel (kWh)	26,119,466	25,476,345
Electricity used by EV fleet for business travel (kWh)	9,794	2,351
Total	27,305,293	26,685,410

**During 2020 all of the Group's offices were closed for significant periods because of the pandemic which reduced normal energy consumption, and minimal road travel took place as a result of national lockdowns and working from home instructions*

In order to improve energy efficiency, the Group has set the following objectives:

- ensure all activities are conducted in compliance with applicable UK energy legislation and additional regulatory, statutory and other requirements;
- monitor and reduce KgCO₂/m² by 10% over the next 4 years (ending 31 December 2024);
- improve the energy performance of the Group's fleet.

The Group is already working to achieve these objectives, with the increasing use of electric vehicles and a programme of installation of EV charge points at its owned/leased buildings underway. Planned further action will be taken as set out in the Group's Carbon Net Neutral plan available at www.atalianservest.co.uk.

In relation to Greenhouse Gas emissions, the Group reports scope 1 and 2 emissions defined by the Greenhouse Gas protocol as follows:

- Scope 1 (direct emissions): operation of facilities; and
- Scope 2 (indirect emissions): consumption of purchased electricity, heat and steam

Atalian Servest Limited

Directors' Report (continued)

For the year ended 31 December 2021

Greenhouse Gas emissions data in the year were as follows:

Emission Type	2021 CO2e tonnes	2020 (restated) CO2e tonnes
Scope1: Operation of facilities	6,255	6,255
Scope 2: Purchase Energy (UK)	225	218
Total Emissions	6,481	6,473

- Greenhouse Gas emissions intensity ratio:

	2021	2020
Total footprint (Scope 1 and Scope 2) – CO2e k tonnes	6,481	6,473
Turnover (£m)	699.6	634.8
Intensity Ratio (CO2e k tonnes/£1m)	9.3	10.2

The Group's methodology has been based on the principles of the Greenhouse Gas Protocol, taking account of the 2015 amendment which set out a 'dual reporting' methodology for the reporting of Scope 2 emissions.

The Group has reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors Report Regulations 2013), except where stated.

The period of the report is from 1 January 2021 to 31 December 2021.

This includes emissions under Scope 1 and 2, except where stated, but excludes emissions from Scope 3. Conversion factors for UK electricity, gas and other emissions are those published by the department for Business, Energy and Industrial Strategy 2018.

Provision of information to auditor

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

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

Auditor

The auditor, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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



T. Evans

Director

Date: 26/09/22

Independent Auditor's Report to the Members of Atalian Servest Limited

Opinion

We have audited the financial statements of Atalian Servest Limited ('the Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit and Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period to 31 December 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Atalian Servest Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows;

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the Company and determined that the most significant are United Kingdom adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, United Kingdom Adopted International Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), the Companies Act 2006, and United Kingdom's direct and indirect tax regulations. In addition, the Group and the Company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations, Competition Law, anti-bribery and corruption regulations and General Data Protection Requirements.
- We understood how the Group and the Company are complying with those frameworks by holding enquiries with management and those charged with governance. We understood the potential incentive and ability to override controls, and employee access to guidance of how to report any instances on non-compliance. We understood any controls put in place by wider group management to reduce the opportunities for fraudulent transactions.

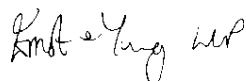
Independent Auditor's Report to the Members of Atalian Servest Limited

- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur, by obtaining and reading group policies and holding enquiries of management and those charged with governance. Through these procedures we considered the risk of management override in relation to revenue recognition as the key area of focus. We addressed this risk through sample testing of revenue recognized in the year to underlying contracts and other supporting documentation, ensuring such revenue was recognized in accordance with the satisfaction of performance obligations in line with the operating companies' revenue recognition policy and United Kingdom Adopted International Accounting Standards. We have also used data analytics and obtained the entire population of journals for the year, and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud identified or suspected in the year, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the Group and Company;
 - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness;
 - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business;
 - Challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence; and
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Use of our report

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



Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

Date: 27 September 2022

Atalian Servest Limited
Consolidated Statement of Profit or Loss
for the year ended 31 December 2021

	Note	Business performance £m	Non- underlying items ¹ £m	Total 2021 £m	Business performance £m	Non- underlying items ¹ £m	Total 2020 £m
Revenue	3	668.2	-	668.2	619.1	-	619.1
Cost of sales		(584.2)	-	(584.2)	(522.6)	-	(522.6)
Gross profit		84.0	-	84.0	96.5	-	96.5
Administrative expenses		(78.9)	12.1	(66.8)	(109.0)	30.2	(78.8)
Operating profit/(loss)	4	5.1	12.1	17.2	(12.5)	30.2	17.7
Finance costs	9	(11.4)	-	(11.4)	(16.7)	-	(16.7)
Profit/(loss) before taxation		(6.3)	12.1	5.8	(29.2)	30.2	1.0
Income tax	10			0.2			3.0
Profit for the year				6.0			4.0

All profits are attributable to equity holders of the parent company.

All results in both years were derived from continuing activities.

The notes on pages 32 to 74 form part of these financial statements

¹ Non-underlying items are explained in note 8

Atalian Servest Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit for the year		6.0	4.0
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (loss)/gain on defined benefit plans	25	-	-
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive income for the year		6.0	4.0

All comprehensive income/(expense) is attributable to equity holders of the parent company.

The notes on pages 32 to 74 form part of these financial statements.

Atalian Servest Limited
Consolidated Statement of Financial Position
as at 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	11	14.8	18.1
Goodwill	12	91.2	91.2
Property, plant and equipment	13	31.0	33.3
Deferred tax assets	21	11.1	11.5
Other receivables	18	0.2	24.1
Total non-current assets		148.3	178.2
Current assets			
Inventories	16	3.3	2.9
Contract assets	3	51.1	47.2
Trade receivables	17	84.1	63.7
Other receivables	18	10.8	38.4
Corporation tax receivable		0.9	-
Cash and cash equivalents	23	8.3	17.3
Total current assets		158.5	169.5
Total assets		306.8	347.7
Liabilities			
Non-current liabilities			
Borrowings	20	(133.3)	(205.6)
Lease liabilities	14	(8.2)	(9.3)
Deferred tax liabilities	21	(2.7)	(2.9)
Total non-current liabilities		(144.2)	(217.8)
Current liabilities			
Trade and other payables	19	(109.5)	(113.4)
Contract liabilities	3	(5.2)	(6.5)
Borrowings	20	(39.6)	(7.8)
Corporation tax payable		-	(0.2)
Lease liabilities	14	(5.9)	(5.6)
Total current liabilities		(160.2)	(133.5)
Total liabilities		(304.4)	(351.3)
Net asset/(liabilities)		2.4	(3.6)
Equity			
Share capital	22	-	-
Share premium account	22	17.2	17.2
Capital redemption reserve	22	1.6	1.6
Capital contribution reserve	22	1.5	51.5
Merger reserve	22	1.0	1.0
Predecessor reserve	22	(8.0)	(8.0)
Accumulated losses		(10.9)	(66.9)
Total equity		2.4	(3.6)

The notes on pages 32 to 74 form part of these financial statements.

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


T. Evans

Director

Date: 26/09/22

Company number: 06355228

Atalian Servest Limited
Company Statement of Financial Position
as at 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	11	4.1	3.1
Goodwill	12	10.8	10.8
Property, plant and equipment	13	25.0	26.1
Investments	15	108.3	108.6
Corporation tax receivable		0.7	-
Deferred tax	21	9.9	10.8
Other receivables	18	0.2	24.1
Total non-current assets		159.0	183.5
Current assets			
Inventories	16	-	0.3
Contract assets	3	9.8	9.6
Trade receivables	17	50.8	32.3
Other receivables	18	47.1	65.6
Cash and cash equivalents	23	5.7	1.8
Total current assets		113.4	109.6
Total assets		272.4	293.1
Liabilities			
Non-current liabilities			
Borrowings	20	(133.3)	(180.8)
Lease liabilities	14	(7.9)	(9.0)
Total non-current liabilities		(141.2)	(189.8)
Current liabilities			
Trade and other payables	19	(62.7)	(72.4)
Contract liabilities	3	(1.9)	(0.8)
Corporation tax payable		-	(0.4)
Borrowings	20	(37.3)	(7.1)
Lease liabilities	14	(5.9)	(5.5)
Total current liabilities		(107.8)	(86.2)
Total liabilities		(249.0)	(276.0)
Net assets		23.4	17.1
Equity			
Share capital	22	-	-
Share premium	22	17.2	17.2
Capital redemption reserve	22	1.6	1.6
Capital contribution reserve	22	1.5	51.5
Merger reserve	22	1.0	1.0
Accumulated profits		2.1	(54.2)
Total equity		23.4	17.1

The notes on pages 32 to 74 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 year ended 31 December 2021 was £6.7m (2020: £0.7m profit).

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

T. Evans 
Director
Date: 26/09/22
Company number: 06355228

Atalian Servest Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital contribution reserve £m	Merger reserve £m	Predecessor reserve £m	Accumulated losses £m	Total equity £m
Balance at 31 December 2019	-	17.2	1.6	51.5	1.0	(8.0)	(70.9)	(7.6)
Profit for the year	-	-	-	-	-	-	4.0	4.0
Total comprehensive income for the year	-	-	-	-	-	-	4.0	4.0
Balance at 31 December 2020	-	17.2	1.6	51.5	1.0	(8.0)	(66.9)	(3.6)
Profit for the year	-	-	-	-	-	-	6.0	6.0
Total comprehensive income for the year	-	-	-	-	-	-	6.0	6.0
Transactions with owners								
Transfer	22	-	-	(50.0)	-	-	50.0	-
Balance at 31 December 2021	-	17.2	1.6	1.5	1.0	(8.0)	(10.9)	2.4

The notes on pages 32 to 74 form part of these financial statements.

Atalian Servest Limited
Company Statement of Changes in Equity
for the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital contribution reserve £m	Merger reserve £m	Accumulated profit/(losses) £m	Total equity £m
Balance at 31 December 2019		-	17.2	1.6	51.5	1.0	(54.9)	16.4
Profit for the year		-	-	-	-	-	0.7	0.7
Total comprehensive income for the year		-	-	-	-	-	0.7	0.7
Balance at 31 December 2020		-	17.2	1.6	51.5	1.0	(54.2)	17.1
Profit for the year		-	-	-	-	-	6.3	6.3
Transfer	22	-	-	-	(50.0)	-	50.0	-
Total comprehensive income for the year		-	-	-	(50.0)	-	56.3	6.3
Balance at 31 December 2021		-	17.2	1.6	1.5	1.0	2.1	23.4

The notes on pages 32 to 74 form part of these financial statements.

Atalian Servest Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash receipts from customers		644.9	629.3
Cash paid to suppliers		(236.7)	(225.6)
Cash paid to employees		(390.7)	(387.7)
Receipt of government grants	6	18.2	33.0
Cash generated from operations		35.7	49.0
Interest paid		(11.0)	(18.4)
Income tax paid		(0.7)	(0.1)
Net cash inflow from operating activities		24.0	30.5
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(8.4)	(7.5)
Payments for purchase of intangibles		(1.4)	(1.2)
Proceeds from the sale of property, plant and equipment		1.1	1.9
Net cash outflow from investing activities		(8.7)	(6.8)
Cash flows from financing activities			
Principal element of leases repaid	14	(8.3)	(7.3)
Repayment of borrowings	20	(15.9)	(8.7)
Net cash outflow from financing activities		(24.2)	(16.0)
Net increase in cash and cash equivalents		(8.9)	7.7
Cash and cash equivalents at beginning of the year		17.2	9.6
Cash and cash equivalents at year end	23	8.3	17.3

The notes on pages 32 to 74 form part of these financial statements.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies

General information

Atalian Servest Limited is a private 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 06355228.

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 Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Adopted International Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The consolidated and Company financial statements have been prepared on the going concern basis under the historical cost convention except for Net defined benefit pension scheme asset accounted for at fair value.

The consolidated financial statements include the results of all subsidiaries of Atalian Servest Limited as listed in note 15.

The preparation of financial statements in conformity with Companies Act 2006 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 and have been consistently applied.

IAS 1 requires 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 year 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 Limited.

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (*continued*)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Going concern

The Group made a profit after tax of £6.0m for the year reducing its net asset position to £2.4m (2020: £3.6m liability). The Group continued to be liquid and closed with a cash balance of £8.3m (2020: £17.3m). Current assets cover current liabilities by 1.0 times (2020: 1.3 times).

As part of the assessment of going concern the Directors considered the impact of COVID-19, the war in Ukraine and the current inflation levels on the forecast revenue, EBITDA and cashflow taking into account the mitigating actions the Directors have implemented to maximise the Group's available liquidity over the forecast period to 31 December 2023. The mitigating actions included using the strategic supplier and customer relationships built during the COVID-19 period and pro-actively negotiating with both customers and suppliers around cost increases and what joint actions can be taken to minimise the impact of these. The Group has also continued the strong framework of rigorous management of its operating expenses and strong contract management. Through these measures, the Group anticipates being able to mitigate the impact of these matters on its financial results and on its liquidity with no shortfall.

The Group has taken and continues to take steps to manage its cash position and maintain its liquidity. The Directors have considered the availability of support from the treasury function managed by La Financière Atalian S.A.S. and the ability of the Group to continue to provide that support. 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 £39.6m (2020: £7.8m) worth of factored receivables under a facility with a limit of £50m (2020: £35m). This will provide the Group with additional source of funds as required.

As a result of these measures, the Directors are satisfied that the Group has sufficient resources and liquidity available and therefore have reasonable expectations that the Group will be able to continue in operational existence for the foreseeable future. The Directors have also considered the availability of support from the treasury function managed by La Financière Atalian S.A.S. and the ability of the Group to continue to provide that support. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements

Subsequent to the year end, Atalian Holding Development & Strategy, the majority shareholder of La Financière Atalian ("LFA") together with the minority shareholders of LFA, have received a binding and irrevocable offer from Clayton, Dubilier & Rice ("CD&R"), a global private investment firm. The relates to the acquisition by CD&R of the entire share capital and voting rights of LFA. The directors do not envisage that the acquisition will trigger any changes to the funding arrangements and the current going concern assessment is not reliant on the completion of this transaction. Overall, the Directors do not consider that this transaction will give rise to any changes to the going concern assessment of the UK Group. Please see note 30 for further information regarding this matter.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

As a result of the proposed transaction with CD&R, there is a potential that the Group's UK borrowings disclosed in Note 20 are restructured. The directors have an expectation that the terms of any restructured debt would mirror the term of the external debt being raised as a result of the transactions and this would extend beyond the current repayment date.

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 carried 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 or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. 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. Any impairment is recognised immediately in the consolidated statement of profit or loss and is not subsequently reversed.

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.

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

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 unit 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.

(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 acquiree (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.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

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 year. Adjustments can only be made up to 12 months after the acquisition date.

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.

(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.

(v) *Common control transactions – purchases of share capital*

Acquisitions of share capital made by the Group, acquired from the parent company (Atalian Servest Group Holdings Limited (formerly Servest Limited)), are treated as common control transactions and predecessor accounting is applied. Under predecessor accounting no purchase price allocation is performed. The acquired net assets are included in the Atalian Servest Limited (formerly Servest Group Limited) consolidation at the same value as included in the consolidation of Atalian Servest Group Holdings Limited (formerly Servest Limited) and no additional goodwill is created by the transaction. In the Atalian Servest Limited (formerly Servest Group Limited) consolidated accounts the difference between the consideration transferred and the net assets acquired is recognised in equity under the heading predecessor reserve.

(vi) *Common control transactions – transfers of trade and assets*

Transfers of trade and assets to the Company from entities under common control are treated as common control transactions and acquisition accounting is applied. In the Company financial statements, goodwill represents the consideration paid in excess of the net assets acquired.

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 (except land)
• Short-term leasehold property	over the period of the lease
• Plant and machinery	2-5 years
• Motor vehicles	4-5 years
• Fixtures and fittings	2-10 years
• Office and computer equipment	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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

Property, plant and equipment

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery - 3 to 5 years
- Motor vehicles and other equipment - 3 to 5 years
- Property - 3 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies *Impairment of assets*.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the year in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings (see note 20).

Intangible assets

Intangible assets other than goodwill (please see *Basis of Consolidation*) 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:

- Customer base and reputation - 10 years
- Software - 10 years
- Order backlog - 1-3 years
- Trade name - 5 years
- Regional licences - 20 years

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

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

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. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.

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. The future cashflows are based on most recent budgets and forecast calculations which generally cover a period of five years. A long-term growth rate is calculated and applied to future cashflows after the fifth year.

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.

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 credit 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 receivable 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.

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.

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 from the date of acquisition 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.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies *(continued)*

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.

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 is recognised in the consolidated profit and loss account.

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.

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 year 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 year.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

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 relate to a variety of commercial cleaning activities across a variety of industries including retail and transport and 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 related to the provision of catering and hospitality services in a variety of sectors including care and education. Contracts can require the provision of goods to the customer, considered to be a single performance obligation. Revenue is recognised at the point at which food and drinks are provided based on till receipts taken at our sites. Promotional discounts are recorded at point of sale. Revenue is reported net of VAT and discounts applied. The performance obligation is satisfied upon the delivery of the food and drink and payment of the transaction price is due immediately when the customer purchases the food and/or drink.

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.

(iv) *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.

(v) *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. Please see note 2 for further details on judgements relating to estimated total costs.

(vi) *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 allowances for estimated irrecoverable amounts. Where cash received from a customer for an individual contract exceeds the revenue recognised, the amount is included in contract liabilities.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

Accounting policies (continued)

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.

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.

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, these have been disclosed as non-underlying due to their nature:

- Redundancy and other costs
- Government grants
- Goodwill and intangible asset impairment charge
- Amortisation of acquired intangibles

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 difference 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.

Dividend distribution

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

Government assistance

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Amounts are recognized net within the statement of comprehensive income as an income or reduction to expenses. Grant accounting has only been applied to Coronavirus Job Retention Scheme (JRS) as part of UK Government's response to COVID-19 pandemic, which ended in September 2021. In the prior year, the group also took advantage of government assistance in form of PAYE and VAT deferrals.

Atalian Servest Limited

Notes to the Financial Statements

For the year ended 31 December 2021

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 obligation

Refer to note 25 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.

Revenue recognition

The Group's revenue recognition policies are central to how the Group values the work it has carried out in each financial year. 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. On 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 taking alternative assessments on each of the estimates above. Please see note 3.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). Please see note 14.

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.

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 based on costs incurred. 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 the future. Please see note 3.

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 year 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. Please see note 21.

Atalian Servest Limited
Notes to the Financial Statements
For the year ended 31 December 2021

Critical accounting judgements and estimates (continued)

Judgements (continued)

Impairment testing

The goodwill 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. Please see note 12.

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. Expense related to other items before tax of £12.1m (2020: £30.2m income) were charged to the statement of profit or loss for the year ended 31 December 2021. 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

31 December 2021	Cleaning £m	Catering £m	Security £m	Projects £m	Technical Services £m	Integrated Solutions £m	Total £m
<i>Primary geographical market</i>							
United Kingdom	282.1	57.4	102.0	98.2	94.9	31.0	665.6
Republic of Ireland	1.9	0.7	-	-	-	-	2.6
	284.0	58.1	102.0	98.2	94.9	31.0	668.2
<i>Timing of revenue recognition</i>							
At a point in time (sale of goods)	27.6	33.4	35.9	0.5	52.7	1.4	151.5
Over time (provision of services)	256.4	24.7	66.1	97.7	42.2	29.6	516.7
	284.0	58.1	102.0	98.2	94.9	31.0	668.2

31 December 2020	Cleaning £m	Catering £m	Security £m	Projects £m	Technical Services £m	Integrated Solutions £m	Total £m
<i>Primary geographical market</i>							
United Kingdom	275.7	62.6	53.9	116.8	73.3	34.2	616.5
Republic of Ireland	1.1	1.5	-	-	-	-	2.6
	276.8	64.1	53.9	116.8	73.3	34.2	619.1
<i>Timing of revenue recognition</i>							
At a point in time (sale of goods)	19.2	25.3	2.9	4.9	41.1	1.1	94.5
Over time (provision of services)	257.6	38.8	51.0	111.9	32.2	33.1	524.6
	276.8	64.1	53.9	116.8	73.3	34.2	619.1

Atalian Servest Limited
Notes to the Financial Statements
For the year ended 31 December 2021

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

	2021	2021	2020	2020
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	£m	£m	£m	£m
Cleaning	9.8	(1.9)	9.6	(0.8)
Security	5.0	-	1.6	(0.1)
Catering	1.1	(0.3)	1.1	(0.2)
Projects	23.1	(1.2)	26.4	(4.4)
Technical Services	10.7	(1.8)	7.5	(0.8)
Integrated Solutions	1.3	-	0.8	(0.1)
Other	0.1	-	0.2	(0.1)
	51.1	(5.2)	47.2	(6.5)

The contract assets primarily relate 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 £9.8m (2020: £9.6m) of contract assets in the Company relate entirely to the Cleaning division. The £1.9m (2020: £0.8m) of contract liabilities in the Company also relate entirely to the Cleaning division.

The contract liabilities primarily relate to the advance consideration received from customers for Projects and Technical Services contracts, for which revenue is recognised on completion of the relevant contract. No impairment has been noted on the contract assets.

Contract assets have increased due to the organic growth in the Projects and Technical Services divisions.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2021	2020
	£m	£m
Cleaning	0.8	-
Catering	0.2	-
Projects	4.4	4.6
Technical Services	0.8	3.3
Integrated Solutions	0.1	-
Security	0.1	-
Other	0.1	0.1
	6.5	8.0

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 2021.

	2022	2023	2024	Total
	£m	£m	£m	£m
Projects	30.8	-	-	30.8
Technical Services	5.9	-	-	5.9

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4. Operating profit/(loss)

	2021	2020
	£m	£m
Operating profit/(loss) for the year is stated after the following:		
Staff costs (note 6)	408.8	389.7
Amortisation - intangible assets (note 11)	4.7	4.6
Depreciation of tangible fixed assets:		
- owned by the group (note 13)	7.1	11.7
- held under leases (note 14)	7.3	6.2
Profit on disposals of property, plant and equipment	(0.3)	(0.5)
Subcontractor costs	85.2	88.5
Consumables used (note 16)	79.6	82.8

5. Auditor's remuneration

	2021	2020
	£m	£m
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	0.8	0.7
	0.8	0.7

6. Staff costs

	2021	2020
	£m	£m
Group		
Wages and salaries	390.7	389.5
Government grants	(16.4)	(34.8)
Social security costs	28.5	28.8
Other pension costs - defined contribution schemes (note 25)	5.9	6.1
Other pension costs - defined benefit schemes (note 25)	0.1	0.1
	408.8	389.7

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

	2021	2020
Operational staff	26,028	24,929
Administration and management	1,794	1,588
Directors	7	8
	27,829	26,525

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Staff costs (continued)

	2021	2020
Company	£m	£m
Wages and salaries	228.1	224.5
Government grants	(10.8)	(19.5)
Social security costs	15.8	15.4
Pension costs - defined contribution schemes	3.2	3.4
Pension costs - defined benefit schemes	-	-
	236.3	223.8

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

Company	2021	2020
Operational staff	20,766	19,600
Administration and management	1,022	918
Directors	7	9
	21,795	20,527

The JRS (Job Retention Scheme) was a scheme announced by the UK government on 20 March 2020 to support employers who cannot maintain their current workforce because their operations have been affected by coronavirus COVID-19. Under the scheme, employers may place workers on their payroll on furlough and receive a grant of 80% base salary (up to £2,500 per month). JRS was subsequently extended until 30 September 2021.

In 2020 the Group recorded a total of £34.8m in the profit and loss as a net against related payroll costs of which £33.0m was received in cash and £1.8m recorded as part of short-term receivables "Government grants". In 2021 the Group recorded £16.6m in the profit and loss and £18.4m of cash received which included the receipt of the £1.8m held in receivables at the end of 2020.

During the year, the Group has recorded a total of £16.4m in the profit and loss as a net against related payroll costs, the full amount was received in cash. There are no unfulfilled conditions or contingencies attached to these grants.

Also, during the year, the Company has recorded a total of £12.6m in the profit and loss as a net against related payroll costs, the full amount was received in cash. There are no unfulfilled conditions or contingencies attached to these grants.

7. Directors' remuneration

	2021	2020
	£m	£m
Remuneration	0.7	0.9
Pension contribution	-	0.1
	0.7	1.0

During the year retirement benefits were accruing to 7 Directors (2020: 8) in respect of defined contribution pension schemes. The costs of certain Directors' services are borne by Atalian Servest Holdings Limited, immediate parent company. The Director's services provided to the Group are considered incidental to the services performed for the rest of group. A corresponding amount of management fee is charged by Atalian Servest Holdings Limited to the Company for these services amounting to £4.8 million (2020: £4.1 million).

No director received compensation in the year for loss of office (2020: £nil)

Highest paid Director

The highest paid director received remuneration of £258,990 (2020: £242,700). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,799 (2020: £14,600).

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8. Non-underlying items

	2021	2020
	£m	£m
Government grants	(16.4)	(34.8)
Amortisation of acquired intangibles (note 11)	4.3	4.6
Administrative income	(12.1)	(30.2)

Government grants: The JRS is a scheme announced by the UK government on 20 March 2020 to support employers who cannot maintain their current workforce because their operations have been affected by coronavirus COVID-19. Under the scheme, employers may place workers on their payroll on furlough and receive a grant of 80% base salary (up to £2,500 per month). During the year the scheme rules in terms of amount of grant receivable as % of pay and the upper limit. JRS has been extended until 30 September 2021.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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

9. Finance costs

	2021	2020
	£m	£m
Interest on bank loans and overdrafts	0.8	1.0
Loan note and other interest	9.5	14.5
Interest on leases and hire purchase contracts (note 14)	1.1	1.2
	11.4	16.7

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10. Income tax

	2021 £m	2020 £m
<i>Current tax</i>		
Current tax on profit for the year	-	0.4
Adjustments in respect of prior years	(0.4)	(0.6)
Total current tax	(0.4)	(0.2)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(0.2)	(1.7)
Adjustments in respect of prior years	0.4	(1.1)
Total deferred tax (note 21)	0.2	(2.8)
Total taxation credit	(0.2)	(3.0)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
Profit before taxation	5.8	1.0
Profit before taxation multiplied by the rate of corporation tax of 19% (2020: 19%)	1.1	0.2
Effects of:		
Other expenses not deductible	0.7	-
Deferred tax effect of change in taxation rates	(2.0)	(0.9)
Non-taxable income	(0.1)	-
Adjustments to tax charge in respect of prior years	-	(1.7)
Fixed asset timing	(0.3)	0.1
Group relief	(0.1)	0.3
Other differences	0.5	(1.0)
Total taxation credit	(0.2)	(3.0)

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence deferred taxes on the balance sheet have been measured at 25% (2020 – 19%).

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11. Intangible assets

Group	Software £m	Customer base and reputation £m	Order backlog £m	Trade name £m	Regional licenses £m	Total £m
<i>Cost</i>						
At 31 December 2019	2.9	42.5	7.5	3.3	0.5	56.7
Additions	1.1	0.1	-	-	-	1.2
At 31 December 2020	4.0	42.6	7.5	3.3	0.5	57.9
Additions	1.4	-	-	-	-	1.4
At 31 December 2021	5.4	42.6	7.5	3.3	0.5	59.3
<i>Accumulated amortisation</i>						
At 31 December 2019	0.9	24.4	7.5	2.1	0.3	35.2
Charge for the year	-	3.9	-	0.7	-	4.6
At 31 December 2020	0.9	28.3	7.5	2.8	0.3	39.8
Charge for the year	0.3	3.8	-	0.5	0.1	4.7
At 31 December 2021	1.2	32.1	7.5	3.3	0.4	44.5
<i>Net book amount</i>						
At 31 December 2020	3.1	14.3	-	0.5	0.2	18.1
At 31 December 2021	4.2	10.5	-	-	0.1	14.8

The average remaining amortisation periods at 31 December 2021 are:

Regional licences	5 years (2020 6 years)
Software	11 years (2020 12 years)
Customer base and reputation	3 years (2020 4 years)

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Intangible assets (continued)

Company	Software £m	Customer base and reputation £m	Regional licenses £m	Total £m
<i>Cost</i>				
At 31 December 2019	2.5	2.5	0.5	5.5
Additions	1.3	-	-	1.3
At 31 December 2020	3.8	2.5	0.5	6.8
Additions	1.4	-	-	1.4
At 31 December 2021	5.2	2.5	0.5	8.2
<i>Accumulated amortisation</i>				
At 1 December 2019	0.7	2.5	0.3	3.5
Charge for the year	0.1	-	0.1	0.2
At 31 December 2020	0.8	2.5	0.4	3.7
Charge for the year	0.4	-	-	0.4
At 31 December 2021	1.2	2.5	0.4	4.1
<i>Net book amount</i>				
At 31 December 2020	3.0	-	0.1	3.1
At 31 December 2021	4.0	-	0.1	4.1

The average remaining amortisation periods at 31 December 2021 are:

Regional licences	5 years (2020 6 years)
Software	11 years (2020 12 years)

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12. Goodwill

	Goodwill £m
Group	
<i>Cost</i>	
At 31 December 2019	96.7
At 31 December 2020	96.7
At 31 December 2021	96.7
<i>Accumulated impairment losses</i>	
At 31 December 2019	5.5
At 31 December 2020	5.5
At 31 December 2021	5.5
<i>Net book amount</i>	
At 31 December 2020	91.2
At 31 December 2021	91.2

	Goodwill £m
Company	
<i>Cost</i>	
At 31 December 2019	10.8
At 31 December 2020	10.8
At 31 December 2021	10.8

Company goodwill relates to historic purchases of trade and assets amounting to £5.9m and historic hive-up transactions from entities under common control amounting to £4.9m. An impairment assessment was performed at the Company level and no impairment was noted. The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. The effect of this departure is not considered material to the financial statements.

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 £11.6m, the Security operation is £4.5m, the Catering operation is £32.5m, the Technical Services/Projects operation is £40.6m and the Pest operation £2.0m. 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.

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Goodwill (continued)

Other major assumptions are as follows:

	Cleaning	Security	Catering	Technical Services/ Projects	Pest
2021					
Discount rate %	9.0	9.0	9.0	9.0	9.0
1 to 2 year growth rate %	8.2	3.0	14.7	9.8	21.2
Long-term growth rate %	3	3	3	3	3
2020					
Discount rate %	8.8	8.8	8.8	8.8	8.8
1 to 2 year growth rate %	13.3	6.5	11.8	11.1	24.1
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 shorter-term growth rates take in to account COVID-19 recovery in the business over the next 1-2 years. The long-term growth rate is used to calculate the terminal value of the CGU in perpetuity. The 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 terminal growth rates were to reduce by 1.0% or the discount rate were to increase by 1.0%, there would still be no indication of impairment (2020: no indication of impairment).

The Group is exposed to economic developments in the United Kingdom and to the uncertainties related to Brexit and the war in Ukraine. Since the majority of the Group's activities are carried out within the United Kingdom, the Group considers that neither the possible absence of a commercial and/or customs agreement between the UK and the European Union, nor the existing and potential future sanctions being applied against Russia, would not have a significant direct impact on the Group's operation. As part of our subsequent events assessment, the Directors have considered the impact on our operations as a result of the outbreak of COVID-19. The application of those assumptions does not result in any impairment adjustments being required nor expected to be required (please see note 30 for further detail).

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13. Property, plant and equipment

Group	Freehold land and buildings £m	Short-term leasehold property £m	Plant and machinery £m	Motor vehicles £m	Fixtures and fittings £m	Office & computer equipment £m	Total £m
<i>Cost</i>							
At 31 December 2019	3.6	6.8	28.3	14.7	7.3	6.7	67.4
Additions at cost	-	0.6	3.7	7.2	1.9	1.1	14.5
Transfers	0.1	(0.1)	(7.6)	(0.2)	0.7	0.6	(6.5)
Disposals	-	(1.5)	(5.9)	(4.4)	(0.7)	(0.9)	(13.4)
At 31 December 2020	3.7	5.8	18.5	17.3	9.2	7.5	62.0
Additions at cost	-	0.8	5.1	6.6	1.7	0.9	15.1
Transfers	-	-	(3.5)	-	3.5	-	-
Disposals	-	(0.6)	(8.3)	(4.2)	(4.7)	-	(17.8)
At 31 December 2021	3.8	6.0	11.8	19.7	9.7	8.4	59.4
<i>Accumulated Depreciation</i>							
At 31 December 2019	0.3	1.8	16.7	4.2	3.0	3.3	29.3
Charges for the year	0.1	1.4	6.5	5.4	2.5	2.0	17.9
Transfers	(0.1)	(0.1)	(8.2)	(0.1)	1.7	0.5	(6.3)
Disposals	-	(0.8)	(5.9)	(4.0)	(0.6)	(0.9)	(12.2)
At 31 December 2020	0.3	2.3	9.1	5.5	6.6	4.9	28.7
Charges for the year	0.1	1.5	3.6	6.2	2.1	0.9	14.4
Transfers	-	-	(1.6)	-	1.6	-	-
Disposals	-	(0.3)	(7.3)	(3.8)	(3.3)	-	(14.7)
At 31 December 2021	0.3	3.5	3.8	7.9	7.0	5.8	28.4
<i>Net book amount</i>							
At 31 December 2020	3.5	3.5	9.4	11.8	2.6	2.6	33.3
At 31 December 2021	3.4	2.5	8.0	11.8	2.7	2.6	31.0

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Property, plant and equipment (*continued*)

Company	Short-term leasehold property £m	Plant and machinery £m	Motor vehicles £m	Fixtures and fittings £m	Office and computer equipment £m	Total £m
<i>Cost</i>						
At 31 December 2019	6.0	22.1	15.1	5.9	5.4	54.5
Additions at cost	0.6	3.4	7.1	0.5	1.1	12.7
Transfers	0.1	(5.2)	(0.3)	0.2	-	(5.2)
Disposals	(1.5)	(4.5)	(4.4)	-	(0.1)	(10.5)
At 31 December 2020	5.2	15.8	17.5	6.6	6.4	51.5
Additions at cost	0.8	5.1	6.7	0.4	0.9	13.9
Disposals	(0.6)	(8.3)	(4.2)	-	-	(13.1)
At 31 December 2021	5.4	12.6	20.0	7.0	7.3	52.3
<i>Accumulated Depreciation</i>						
At 31 December 2019	1.1	13.5	4.6	2.7	2.7	24.6
Charges for the year	1.4	5.4	5.4	1.3	1.8	15.3
Transfers	(0.1)	(5.2)	(0.1)	0.3	(0.1)	(5.2)
Disposals	(0.8)	(4.5)	(4.0)	-	-	(9.3)
At 31 December 2020	1.6	9.2	5.9	4.3	4.4	25.4
Charges for the year	1.5	3.6	6.2	1.1	0.8	13.2
Disposals	(0.3)	(7.2)	(3.8)	-	-	(11.3)
At 31 December 2021	2.8	5.6	8.3	5.4	5.2	27.3
<i>Net book amount</i>						
At 31 December 2020	3.6	6.6	11.6	2.3	2.0	26.1
At 31 December 2021	2.6	7.0	11.7	1.6	2.1	25.0

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14. Leases

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

	2021	2020
Group	£m	£m
Property, plant and equipment owned	17.4	19.1
Right-of-use assets	13.4	14.2
	30.8	33.3

	2021	2020
Company	£m	£m
Property, plant and equipment owned	11.8	12.3
Right-of-use assets	13.2	13.8
	25.0	26.1

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

<i>Right-of-use assets</i>	Property	Vehicles	Other	Total
Group	£m	£m	£m	£m
At 31 December 2020	2.0	11.8	0.4	14.2
Additions for the year	0.5	6.6	-	7.1
Disposals for the year	(0.6)	(3.7)	(0.6)	(4.9)
Depreciation charge for the year	(1.0)	(6.1)	(0.2)	(7.3)
Depreciation on disposals	0.3	3.4	0.6	4.3
At 31 December 2021	1.2	12.0	0.2	13.4

<i>Right-of-use assets</i>	Property	Vehicles	Total
Company	£m	£m	£m
At 31 December 2020	2.0	11.8	13.8
Additions for the year	0.5	6.6	7.1
Disposals for the year	(0.6)	(3.7)	(4.3)
Depreciation charge for the year	(1.0)	(6.1)	(7.1)
Depreciation on disposals	0.3	3.4	3.7
Balance at 31 December 2021	1.2	12.0	13.2

<i>Lease liabilities</i>	2021	2020
Group	£m	£m
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	6.9	6.7
One to five years	8.6	10.0
More than five years	0.1	0.3
Total undiscounted lease liabilities at 31 December	15.6	17.0
<i>Lease liabilities included in the statement of financial position at 31 December</i>		
Current	5.9	5.6
Non-current	8.2	9.3
	14.1	14.9

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Leases (continued)

Lease liabilities	2021	2020
Group	£m	£m
At 1 January	14.9	15.0
Additions	7.1	7.2
Disposals	(0.7)	(1.2)
Accretion of interest	1.1	1.2
Payments	(8.3)	(7.3)
At 31 December 2021	14.1	14.9

Lease liabilities	2021	2020
Company	£m	£m
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	5.9	6.5
One to five years	7.4	9.7
More than five years	-	0.2
Total undiscounted lease liabilities at 31 December	13.3	16.4

Lease liabilities included in the statement of financial position at 31 December

Current	5.9	5.5
Non-current	7.9	9.0
	13.8	14.5

Lease liabilities	2021	2020
Company	£m	£m
At 1 January	14.5	14.3
Additions	7.1	7.2
Disposals	(0.7)	(1.1)
Accretion of interest	1.0	1.1
Payments	(8.1)	(7.0)
At 31 December 2021	13.8	14.5

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 the statement of profit or loss	2021	2020
Group	£m	£m
Interest on lease liabilities	1.1	1.2

Amounts recognised in statement of cash flows	2021	2020
Group	£m	£m
Total cash outflow for leases	8.3	7.3

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15. Investments

	Investments in subsidiary companies £m
Company	
<i>Cost</i>	
At 31 December 2019	120.7
At 31 December 2020	120.7
<i>Impairment of subsidiaries</i>	<i>(0.3)</i>
At 31 December 2021	120.4
 <i>Accumulated Impairment</i>	
At 31 December 2019	12.1
At 31 December 2020	12.1
At 31 December 2021	12.1
 <i>Net book amount</i>	
At 31 December 2020	108.6
At 31 December 2021	108.3

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Investments (continued)

The parent company, Atalian Servest Holdings Limited, has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2021:

Name	Registered number	Registered address	Class of shares held	Proportion of ownership interest	Principal activities
<i>Subsidiary undertakings</i>					
Atalian Servest Security Limited	04376463	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Security services
Servest Ireland Limited	613862	88 Harcourt Street, Dublin 2 D02 DK18	Ordinary	100%	Cleaning and catering services
Atalian Servest Food Co Limited	02569158	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Catering services
Atalian Servest Managed Services Limited*	05261471	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Catering services
Atalian Servest AMK Limited	SC033489	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Maintenance services
Thermotech Solutions Limited*	08596374	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Enesco 1194 Limited*	10348670	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Dormant company
Fire and Air Services Limited*	06473866	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Thermotech Mechanical Services Limited*	07702566	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Thermotech Fire Protection Limited*	02787244	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Oakwood Technology Group Limited*	02400512	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Oakwood Air Conditioning Limited*	01288124	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Maintenance services
Atalian Servest Pest Control Limited	04010488	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Pest control services
Atalian Servest Integrated Solutions Limited	SC142990	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Total facilities management

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16. Inventories

	2021	2020
Group	£m	£m
Consumables	3.3	2.9
	3.3	2.9

The total cost of consumables expensed in the year and included within cost of sales is £79.6m (2020: £82.8m).

	2021	2020
Company	£m	£m
Consumables	-	0.3
	-	0.3

17. Trade receivables

	2021	2020
Group	£m	£m
Trade receivables	87.1	66.0
Provision for doubtful debts	(3.0)	(2.3)
	84.1	63.7

	2021	2020
Company	£m	£m
Trade receivables	52.3	32.9
Provision for doubtful debts	(1.5)	(0.6)
	50.8	32.3

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 £39.6m (2020: £7.8m) worth of factored receivables.

During the year the limit on this non-recourse facility increased from £35m to £50m, therefore the Group has transferred substantially all the risks and rewards of ownership. 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. Cashflows relating to the working capital facility are shown within cash generated from operations.

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 26 for further details of impairment and risk exposure.

Atalian Servest Limited
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18. Other receivables

	2021	2020
Group	£m	£m
Loan receivable balances with group undertakings	0.2	24.1
Amounts owed by related undertakings	1.1	25.5
Other receivables	8.3	11.1
Prepayments	1.4	1.8
	11.0	62.5
Other receivables presented as:		
Non-current assets	0.2	24.1
Current assets	10.8	38.4
	11.0	62.5

Amounts owed from related undertakings are non-interest bearing and payable on demand by other companies in the La Financière Atalian Group.

	2021	2020
Company	£m	£m
Loan receivable balances with group undertakings	0.2	24.1
Amounts owed by group undertakings	43.7	47.4
Other receivables	2.9	17.4
Prepayments	0.5	0.8
	47.3	89.7
Other receivables presented as:		
Non-current assets	0.2	24.1
Current assets	47.1	65.6
	47.3	89.7

The loan receivables for both Group and Company are with Atalian Servest Group Holdings Limited. The loan is repayable in May 2025 and accrues interest at 5.96%.

Amounts owed from related undertakings are non-interest bearing and payable on demand by other companies in the La Financière Atalian Group.

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19. Trade and other payables

Group	2021	2020
Current	£m	£m
Trade payables	25.2	24.7
Payroll related payables	27.1	21.9
VAT	19.5	41.1
Other payables	2.3	1.7
Accruals	33.2	24.0
Amounts owed to related undertakings	2.0	-
	109.3	113.4

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.

The 2020 VAT balance of £41.1m includes £24.3m of deferred VAT from 2020 under the governments VAT deferral scheme, which will be settled in instalments during 2021 and 2022.

The amounts owed to group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

Company	2021	2020
Current	£m	£m
Trade payables	7.1	8.5
Other payables	2.0	0.5
Payroll related payables	19.6	15.1
VAT	16.1	32.4
Accruals	6.4	3.1
Amounts owed to group undertakings	11.5	12.8
	62.7	72.4

The 2020 VAT balance of £32.4m includes £24.3m of deferred VAT from 2020 under the governments VAT deferral scheme, which will be settled in instalments during 2021 and 2022.

The amounts owed to group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

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20. Borrowings

	2021 £m	2020 £m
Group		
Non-current		
Other loans owed to shareholders	133.3	205.6
	<u>133.3</u>	<u>205.6</u>
Current		
Overdraft	-	-
Working capital facility	39.6	7.8
	<u>39.6</u>	<u>7.8</u>
Total borrowings	<u>172.9</u>	<u>213.4</u>

Other loans owed to shareholders

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%.

Overdraft

Overdrafts are utilised for the day to day management of cash. The Group has facilities of £10m (2020: £10m) available with interest linked to a base rate. The bank overdrafts are secured by a portion of the Group's short-term deposits

Working capital facility

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 £39.6m (2020: £7.8m) worth of factored receivables

During the year the limit on this non-recourse facility increased from £35m to £50m, therefore the Group has transferred substantially all the risks and rewards of ownership. 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. Cashflows relating to the working capital facility are shown within cash generated from operations.

	2021 £m	2020 £m
Company		
Non-current		
Other loans owed to shareholders	133.3	180.8
	<u>133.3</u>	<u>180.8</u>
Current		
Overdraft	-	-
Working capital facility	37.3	7.1
	<u>37.3</u>	<u>7.1</u>
Total borrowings	<u>170.6</u>	<u>187.9</u>

The other loans owed to shareholders is made up of several loans with Atalian Servest Holdings Limited and La Financière Atalian S.A.S. The loans have various repayment dates and accrue interest at 5.96%. The overdraft and working capital facility are as above.

Borrowings (continued)

Group

Net debt as at:

31 December 2019	
Cashflows	
Foreign Exchange	
Other movements	
31 Dec 2020	
Cashflows	
Foreign Exchange	
Other movements	
31 Dec 2021	

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21. Deferred tax

Group	2021 £m	2020 £m
Deferred tax assets	11.1	11.5
Deferred tax liabilities	(2.7)	(2.9)

	2021 Assets £m	2021 Liabilities £m	2020 Assets £m	2020 Liabilities £m
Deferred tax assets/(liabilities) comprise:				
Fixed asset timing difference	1.9	-	2.0	-
Deferred tax liability on intangibles acquired on business combination	-	(2.7)	-	(2.9)
Losses and other deductions	9.2	-	9.5	-
	11.1	(2.7)	11.5	(2.9)

£1.9m of the deferred tax asset is expected to be settled within 12 months of the reporting date. The remainder will be settled beyond 12 months of the reporting date.

The provision for deferred tax is made up as follows:

	Acquired intangibles £m	Fixed asset and other timing differences £m	Losses and other deductions £m	Total £m
<i>Deferred tax assets & liabilities</i>				
At 31 December 2019	(3.4)	1.7	7.5	5.8
Recognised in the statement of profit or loss	0.5	0.3	2.0	2.8
At 30 December 2020	(2.9)	2.0	9.5	8.6
Recognised in the statement of profit or loss	0.2	(0.1)	(0.3)	(0.2)
At 31 December 2021	(2.7)	1.9	9.2	8.4

	Fixed asset and other temporary differences £m	Losses and other deductions £m	Total £m
Company			
<i>Deferred tax assets & liabilities</i>			
At 31 December 2019	1.2	7.1	8.3
Recognised in the statement of other comprehensive income	-	2.5	2.5
At 31 December 2020	1.2	9.6	10.8
Recognised in the statement of profit or loss	(0.7)	(0.2)	(0.9)
At 31 December 2021	0.5	9.4	9.9

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

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22. Equity

	2021 £m	2020 £m
<i>Allotted, called up and fully paid</i>		
190,619,141 Ordinary shares of 1/700p each	-	-
2,784,527 Management shares of £0.01 each	-	-
	-	-

Share rights

The holders of the Ordinary shares have the right to attend or vote at any general meeting of the Company.

The holders of the Management shares have no right to attend or vote at any general meeting of the Company.

All the share classes also have the right to dividends, the distribution of which is at the discretion of the Company.

The Ordinary shares and Management shares rank *pari passu* in all other respects.

Accumulated losses

Retained earnings 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.

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.

Capital contribution reserve

The capital contribution reserve consists of contributions from the owners of the Company in order to satisfy Company liabilities.

On 1 June 2021, the Directors met to discuss the proposed bonus issue of shares by Atalian Servest Limited to promote the success of the Company. It was resolved that £50,000,000, being part of the Company's capital contribution reserve, be capitalised and applied to pay up in full 5,000,000,000 management shares of £0.01p each in the capital of the Company, and to allot and issue such new shares, credited as fully paid up, to the existing holder of the management shares of £0.01p.

Merger reserve

The merger reserve is a non-distributable reserve created by the exercise of s612 merger relief for the amount in excess of the nominal value of the 5,476,634 Ordinary shares issued in connection with the acquisition of Servest Security Services Limited.

Predecessor reserve

The predecessor reserve represents the differences arising on the adoption of predecessor accounting due to the group restructure. This comprises the difference between consideration paid and the book value of the net assets acquired in the transaction less any impairment.

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23. 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:

	2021	2020
	£m	£m
Group		
Cash on hand	0.4	0.2
Balances with banks	7.9	17.1
Cash and cash equivalents	8.3	17.3
<hr/>		
	2021	2020
	£m	£m
Company		
Balances with banks	5.7	1.8
Cash and cash equivalents	5.7	1.8

The Company is part of a £10m (2020: £10m) overdraft arrangement with other Group companies.

Significant non-cash transactions

During the year the Group acquired property, plant and equipment with a total cost of £15.4m (2020: £14.5m) of which £7.1m (2020: £7.2m) were acquired by means of leases. Leases and hire purchase are secured on the assets to which they relate.

24. Contingent liabilities

As disclosed in note 15, 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 parent company, Atalian Servest Holdings Limited, has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £98,566,000 (2020: £186,600,000).

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25. Retirement benefit obligations

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

Defined contribution scheme

	2021 £m	2020 £m
Amount recognised as an expense	5.9	6.1

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 2020.

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 scheme 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 higher 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 2021. The Group expects to pay £0.2m in contributions to its defined benefit plan in 2022. The approximate overall duration of the scheme defined benefit obligations at 31 December 2021 is 20 to 25 years.

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

	2021 £m	2020 £m	2019 £m	2018 £m
Balance sheet obligations				
- Fair value of assets at year end	2.9	2.9	2.6	2.7
- Present value of obligations at year end	(2.4)	(2.0)	(1.7)	(1.7)
- Asset ceiling not recognised	(0.5)	(0.9)	(0.9)	(1.0)
- Asset/(liability) at year end	-	-	-	-
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	0.1	0.1	0.2
	0.2	0.1	0.1	0.2

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Retirement benefit obligations (continued)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
At 31 December	(2.0)	(1.7)	2.9	2.6	-	-
<i>Service cost and interest</i>						
Current service cost	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Interest (expense)/income on defined benefit obligation	-	-	(0.2)	0.1	0.1	0.1
Total defined benefit gain/(loss) recognised in profit or loss	(0.2)	(0.2)	(0.2)	0.1	(0.1)	(0.1)
<i>Remeasurement loss</i>						
Actuarial loss/(gain) from:						
- Financial assumptions	0.1	(0.1)	-	-	0.1	(0.1)
- Adjustments (experience)	(0.2)	0.1	-	-	(0.1)	0.1
	(0.1)	-	-	-	-	-
Total defined benefit gain/(loss)	(0.3)	(0.2)	(0.2)	0.1	(0.1)	(0.1)
<i>Cashflows</i>						
Employer contributions	-	-	0.2	0.2	0.2	0.2
Benefits paid	(0.1)	(0.1)	-	-	(0.1)	(0.1)
	(0.1)	(0.1)	0.2	0.2	0.1	0.1
At year end	(2.4)	(2.0)	2.9	2.9	-	-

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:

	2021	2020
	£m	£m
Equity instruments	0.3	1.3
Gilts	-	0.6
Corporate bonds	-	0.5
Property and other assets	2.6	0.5
	2.9	2.9

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Retirement benefit obligations (continued)

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

	2021	2020	2019	2018
Discount rate	1.80%	1.50%	2.00%	2.80%
Future salary increases	3.20%	3.10%	3.20%	3.40%
Future pension increases	3.20%	3.10%	3.20%	3.40%
Proportion of employees opting for early retirement	3.20%	3.10%	3.20%	3.40%
Retail price index (RPI)	3.20%	3.10%	3.20%	3.40%
Longevity at retirement age (current pensioners)				
- Males	26.3	19.4	19.3	20.1
- Females	28.9	21.5	21.4	22.0
Longevity at retirement age (future pensioners)				
- Males	27.5	20.6	20.5	21.2
- Females	30.1	23.0	22.8	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	2021 £m
Discount rate	0.5%	0.1
Inflation	0.5%	0.1
Future mortality rates	1 year	0.1

26. Financial assets and financial liabilities

Classes and fair value of financial instruments

	2021 £m	2020 £m
<i>Financial assets at amortised cost</i>		
Assets as per the statement of financial position		
Trade receivables (note 17)	84.2	63.7
Loan receivable balance with group undertakings (note 18)	0.2	24.1
Other receivables (note 18)	9.4	36.6
Cash and cash equivalents (note 23)	8.3	17.3
Total	102.1	141.7

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

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Financial assets and financial liabilities (continued)

	2021 £m	2020 £m
<i>Financial liabilities at amortised cost</i>		
Liabilities as per the statement of financial position		
Trade payables (note 19)	25.1	24.7
Other payables (note 19)	4.3	1.7
Accruals (note 19)	33.2	24.0
Current borrowings (note 20)	39.6	7.8
Non-current borrowings (note 20)	133.3	205.6
Lease liabilities (note 14)	14.1	14.9
Total	249.6	278.7

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 19 also includes statutory items that are not contractual.

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. There has been no significant change in these financial risks since the prior year.

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 year-end date, the Group held funds of £4.1m (2020: £17.1m) with Lloyds Bank plc.

The Group's maximum exposure to credit risk is:

	2021 £m	2020 £m
<i>Financial assets</i>		
Assets as per the statement of financial position		
Trade receivables (note 17)	84.2	63.7
Loan receivable with group undertaking (note 18)	0.2	24.1
Other receivables (note 18)	9.7	36.6
Cash and cash equivalents (note 23)	7.9	17.3
Total	102.0	141.7

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Financial assets and financial liabilities (continued)

Credit risk (continued)

An analysis of trade receivables:

2021	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	84.2	78.0	0.4	5.8

2020	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	63.7	58.3	1.2	4.2

The Group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 46 days (2020: 38 days). The Group made a loss allowance against trade receivables using the ECL method of £3.0m (2020: £2.3m). 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 the 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.

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Financial assets and financial liabilities (continued)

Interest rate risk

Interest rate exposure and sensitivity analysis:

2021	Carrying amount	Average interest rate	If interest rates were 1% higher		If interest rates were 1% lower	
			Pre-tax profit £m	Equity £m	Pre-tax profit £m	Equity £m
<i>Financial assets</i>	£m	%				
Cash and cash equivalents (note 23)	7.9	-	0.1	0.1	(0.1)	(0.1)
<i>Financial liabilities</i>						
Lease liabilities (note 14)	14.1	7.1	(0.1)	(0.1)	0.1	0.1
Borrowings - non-current (note 20)	133.3	6.0	(1.3)	(1.3)	1.3	1.3
			(1.3)	(1.3)	1.3	1.3
2020	Carrying amount	Average interest rate	If interest rates were 1% higher		If interest rates were 1% lower	
			Pre-tax profit £m	Equity £m	Pre-tax profit £m	Equity £m
<i>Financial assets</i>	£m	%				
Cash and cash equivalents (note 23)	17.3	-	0.2	0.2	(0.2)	(0.2)
<i>Financial liabilities</i>						
Lease liabilities (note 14)	14.9	7.4	(0.1)	(0.1)	0.1	0.1
Borrowings - non-current (note 20)	205.6	6.0	(2.1)	(1.7)	2.1	1.7
			(2.0)	(1.6)	2.0	1.6

A portion of the non-current borrowings (2020: portion of the non-current borrowings) has 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. Please see note 20 for further details.

The rate on cash and cash equivalents 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 year.

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Financial assets and financial liabilities (continued)

Liquidity risk

The Group maintains sufficient cash levels to enable it to meet its liabilities as they fall due and utilises the 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 on hand of £0.4m at 31 December 2021 (2020: £0.2m). The average creditor payment period is 16 days (2020: 17 days).

Contractual maturity analysis for financial liabilities:

	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
2021	£m	£m	£m	£m	£m	£m
<i>Financial liabilities</i>						
Trade and other payables	52.4	8.9	3.6	-	-	64.9
Working capital facility	-	-	39.6	-	-	39.6
Shareholder loan	-	-	-	133.3	-	133.3
Lease liabilities	-	-	5.9	8.2	-	14.1
	52.4	8.9	49.1	141.5	-	251.9
2020	£m	£m	£m	£m	£m	£m
<i>Financial liabilities</i>						
Trade and other payables	36.9	10.8	2.7	-	-	50.4
Working capital facility	-	-	7.8	-	-	7.8
Shareholder loan	-	-	-	205.6	-	205.6
Lease liabilities	-	-	5.6	9.3	-	14.9
	36.9	10.8	16.1	214.9	-	278.7

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27. Related party transactions

	Net Loan note and other interest £m	Amounts owed from related party (note 18) £m	Loan owed (to)/from related party (note 18 & 20) £m
2021			
<i>Parent companies</i>			
Atalian Servest Group Holdings Limited	-	0.4	0.2
Atalian Servest Group Limited	8.8	0.7	(133.3)
	(8.8)	1.1	(133.1)
2020			
<i>Parent companies</i>			
La Financière Atalian S.A.S	(2.6)	-	(54.1)
Atalian Servest Holdings Limited	(12.1)	4.0	(148.1)
Atalian Servest Group Holdings Limited	1.2	5.7	24.1
Atalian Servest Group Limited	-	0.7	-
<i>Other related parties</i>			
Aktrion Holdings Limited	-	2.7	-
Aktrion Manufacturing Support Services Limited	-	0.1	-
Servest Aktrion Limited	(0.2)	12.3	(3.4)
	(13.7)	25.5	(181.5)

Amounts owed to La Financière Atalian S.A.S and Atalian Servest Holdings Limited are shown within loans to shareholders, in non-current borrowings.

The costs associated with the Key management remuneration during the year were £0.7m (2020: £0.7m).

Please see note 18 and 20 for details of the Company's balances due from/to Group undertakings.

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28. 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 by 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 2022 which show 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 notes 19 and 20, cash per note 23 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.

29. Ultimate parent undertaking and controlling party

This is the smallest group for which consolidated financial statements are prepared. The immediate parent company is Atalian Servest Group Limited. The results of the Group are also further consolidated into the UK Group headed by Atalian Servest Holdings Limited. Consolidated financial statements for Atalian Servest Holdings Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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-Seine, France.

In the opinion of the Directors, Mr. F.J. Julien is the ultimate controlling party.

30. Post balance sheet events

On 25 May 2022, Atalian Servest Integrated Solutions Limited, a wholly owned subsidiary within the UK Group, acquired 100% of the shares of Incentive FM Group Limited, a private company that heads up a group of businesses that provide facilities management services for consideration of £30m. Of the £30m consideration, £7.5m was deferred until 3 weeks after completion, with a further £5m being deferred until 12 months post completion. Both parts of deferred consideration are unconditional. Incentive offers the full range of FM services to its broad customer base, including cleaning, maintenance and security.

On 28 July 2022, a new Belgian holding Company was established, Atalian Holding Development & Strategy ("AHDS"). AHDS is now the majority shareholder of La Financière Atalian ("LFA"). AHDS and the minority shareholders of LFA have received a binding and irrevocable offer from Clayton, Dubilier & Rice ("CD&R"), a global private investment firm, for the acquisition by CD&R of the entire share capital and voting rights of LFA.

The proposed transaction will be submitted for consultation to the competent workers' councils. After such consultations have been approved and CD&R's offer has been accepted by the by the shareholders of LFA, the completion of the proposed transaction will be subject to customary conditions, including regulatory and competition authority approvals in a number of jurisdictions as well as the completion of the acquisition by CD&R of another international facilities management company headquartered in the United Kingdom and operating mainly in the United Kingdom and the Asia Pacific region. The completion of the proposed transaction is expected by the end of 2022.