

Atalian Servest Holdings Limited

Report and financial statements

For the year ended 31 December 2022

Company number: 11278510

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Atalian Servest Holdings Limited

Company Information

for the year ended 31 December 2022

Board of Directors	D. Dickson T. Evans L. Ryan B. Deschamps (appointed 28 February 2023 resigned 13 June 2023) R. Dutarte (appointed 28 February 2023 resigned 13 June 2023) G. Rochat (appointed 28 February 2023 resigned 13 June 2023)
Company secretary	L. Ryan
Registered Office	Vicon House 2 Western Way Bury St Edmunds IP33 3SP
Independent Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ
Company Number	11278510

Atalian Servest Holdings Limited

Report and Financial Statements

for the year ended 31 December 2022

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Atalian Servest Holdings Limited

Strategic Report

for the year ended 31 December 2022

The Directors present their Strategic Report and financial statements for the year ended 31 December 2022.

Business review and development of the business

Principal Activities

The Company's principal activity is one of a holding company for the Atalian Servest trading group in the United Kingdom and the Republic of Ireland and the Aktrion trading group in Europe. These trading groups provides facilities management services. The Atalian Servest trading group is comprised of Atalian Servest Limited and its direct and indirect subsidiaries (which together with the Company is herein referred to as the "Group").

Ownership

During the period the Company was a wholly owned subsidiary of Atalian Europe S.A., a company registered and incorporated in Luxembourg and an indirect subsidiary of La Financière Atalian S.A.S., a company incorporated and registered in France which heads the global Atalian facilities management group (the "Atalian Group").

On 28th February 2023 (post period end) the Company was acquired by OCS Group Investments Limited (formerly CD&R Madison UK Bidco Ltd), an entity formed by Clayton Dubilier & Rice LLP ("CD&R"). This sale formed part of a wider transaction that saw the Atalian Group divest of its operations in the UK, Republic of Ireland and Asia together with the Aktrion trading group (together the "Divested Business") to CD&R. Shortly before completing the purchase of the Divested Business CD&R also acquired the entire issued share capital of OCS Group International Ltd, the head company of another facilities management trading group (the "OCS Group") operating predominantly in the UK, the Republic of Ireland and Asia Pacific. Management will be planning for and executing the integration of the Divested Business with the OCS Group during 2023 and beyond in a move that will create one of the world's largest international facilities services providers. Trading primarily under the OCS brand going forward, the new combined and integrated group will have a turnover in excess of £2bn, employing circa 121,000 colleagues worldwide and operating in 25 countries. The implications of the re-branding have been assessed by management and whilst do not have a material impact have been reflected on the results in the 2023 financial statements.

Business Review

2022 was a good year for the Group, with strong acquisitive and organic growth leading to robust financial performance despite any lingering impact of the Covid-19 pandemic and the market and supply-chain disruption cause by the war in the Ukraine.

Whilst existing strategic goals of increasing cash generation and improving profit margins continued to have focus, a key priority in 2022 was to improve employee engagement and wellbeing. The Group is a people-focussed business; with circa 28,000 colleagues (on average) throughout the period in the UK and Republic of Ireland we recognise that our people are the driving force behind our successes, and 2022 was a year of intentional, proactive effort to improve their wellbeing and increase engagement. More detail is given later in this report around the actions taken in this regard, but of particular note is the successful implementation of phases one and two of our roll out of Wagestream (a tool to allow our colleagues better visibility of and early access to earned wages) to improve financial wellbeing, the training of over 40 additional mental health first aiders in the period to support the mental wellbeing of our colleagues, and the launch of "Meno Meet", café-style informal sessions to allow for peer to peer support and the distribution of advice and guidance on the topic of the menopause, to aide with physical wellbeing.

The Group completed its first acquisition since the pandemic with the purchase of Incentive FM Group Limited and its subsidiaries which not only delivered financially but also acted as a catalyst for change in terms of operational models and leadership structure. Whilst some single service line business operated by the Incentive group was absorbed into the Group's pre-existing divisions, given its strong market reputation as a provider of TFM solutions within the private sector the Group utilised the majority of the Incentive business to create a new operating division to provide strategic focus and experienced oversight to multi-service contracts within the private sector.

In relation to the Covid-19 pandemic, the Group has largely returned to pre-pandemic levels of business activity with the only identifiable lasting impact appearing 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. It remains to be seen whether this is a trend that will continue for years to come or whether businesses will start to adopt a stricter approach to requiring employees to attend office locations on a more regular basis. Monitoring changes in approach is an activity that the Group remains actively interested in.

The war in Ukraine continues to only have limited effect on the performance of the Group. None of the sanctions enforced by the UK Government or applied by other countries has had any impact on the 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.

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for the year ended 31 December 2022

Business Review (continued)

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.

Financial Performance and Growth

The Group achieved strong organic growth in the year with £71.6m of annualised new business revenue won in 2022, with significant wins in the retail groceries and public sectors. Revenue increased by 19.3% from £696.2m (2021) to £830.6m.

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 were 11.0% in 2022 (2021: 13.5%) which is viewed as a significant achievement given the challenging market conditions resulting in increased costs and rising inflation, evidencing a comprehensive approach to margin management.

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 2023 due to the full year impact from these contract wins in the prior year, as well as further new contract wins during 2023. 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. Integrating the Group with the OCS Group (as defined above) will also act as a springboard for organic growth from 2023 as business with existing customers has the potential for growth as additional service lines and expertise become accessible within the enlarged organisation. The Group also expects to complete one or more strategic acquisitions during 2023 to cement its platform for further growth following the successful acquisition of Incentive FM Group Limited in May 2022.

The Group is in a net asset position at 31 December 2022 of £244.2m (2021: £250.7m asset). This reduction is due to the payment of a £10.9m dividend during the year (2021: £11.6m), which was partially offset by a profit for the year of £4.4m.

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 the divisions.

Future developments

Managing through significant change will be a key theme for 2023 as the Group merges with the OCS Group to create a combined business under new ownership. A refreshed brand, a new management team and the communication of combined strategic goals and revitalised corporate values will, together with a continued drive for significant sustainable growth, mean that the planning and execution of robust change management will be key to a successful 2023. Synergistic benefits of combining the two groups will need to be fully explored with the intention of creating a solid, fit for purpose base to support the enlarged operational business at an appropriate level of overhead cost. Systems and processes will also be reviewed, harmonised and unified to allow for efficient and effective working.

Ensuring that our colleagues are properly engaged with and rewarded for their hard work and dedication will remain a priority, and the Group will build on the foundations laid during the year to encourage a values-based culture focused on diversity and positive engagement.

The delivery of strong margins and cash generation are always key areas of focus for the Group, which will be achieved by concentrating on the "retain, grow and gain" philosophy – retaining and growing existing business and winning new business, particularly in sectors where there is a focus on operational excellence rather than on cost reductions and margin erosion.

The Group will also continue to pursue strategically aligned acquisitions which contain further synergistic benefits, whether to enhance existing service offerings or to increase geographical density or to add to and complement current operations.

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Strategic Report Continued

for the year ended 31 December 2022

Principal risks and uncertainties

Whilst the Board sets risk tolerance and monitors the amount of risk being taken as a whole across the Group, each division and department is responsible for the identification and management of existing and emerging risks. Divisional and departmental risk registers are maintained to capture risk controls and mitigation measures, and on a periodic basis trended risks and risks with high residual risk ratings are communicated to the Board for awareness and review.

Within the period there were some changes to residual risk ratings and some new risks were captured relevant to organisational changes. The cyber security and data integrity risk was noted as having increased in the period due to the number and sophistication of cyber attacks being reported generally in the market. A new risk, sale of the Group and merger with the OCS Group, was recorded in the period given the mid-year announcement of the proposed sale. This item is recorded as a standalone risk but also impacts existing risks such as the attraction and retention of talent risk (the uncertainty created by the merger announcement creates an increasingly difficult environment within which to attract and retain talent). Much time has been spent by management in planning adequate risk controls and mitigation measures, with structured plans to diverge from the Atalian Group and with integration planning starting as early as possible to define and map processes to allow for quick, informed decision-making.

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

- Health and safety;
- Liquidity and cash management;
- Economic cycles and macro economic developments;
- Cyber security and data integrity;
- Sale of the Group and merger with OCS Group;
- Environmental social governance;
- Legislative and regulatory compliance;
- Attraction and retention of talent; and
- Customer retention and gain

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. New training modules were designed and rolled out in the period to provide additional training and guidance to operational teams.

Liquidity and cash management

The Group needs sufficient liquidity to meet its outgoings (the most significant of which are payments to colleagues and suppliers) whilst maintaining adequate resource to fund acquisitive growth and invest in innovation and continuous improvement. Strong cash management is required as well as appropriate access to external funding.

Clear and regular focus is placed by the Group on cash collection and payment terms with customers and suppliers is closely monitored. Cash forecasting and net debt reporting are key tools used to enable informed decision-making on spend allocation. The Group's extensive public sector customer base continues to benefit cashflow as payment terms are good and receipt of payment is prompt.

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 external funding. However, this risk continues to be mitigated by the Group's financing arrangements. During the period the Group benefited from the certainty of 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 2021 at La Financière Atalian S.A.S level, as this financing has in turn been passed down to the Group at a fixed rate and term. Post period end and after the sale of the Group to CD&R intra-group financing arrangements continue in place as between the Company and its immediate shareholder.

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Strategic Report Continued

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Economic cycles and macro economic developments

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. Global and national supply and demand issues can impact prices such as the increases to fuel and energy costs experienced during 2022, which in turn can impact the profitability of contracts if inflationary increases cannot be passed on to customers mid contract term. 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 retain and gain' below).

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.

Cyber security and data integrity

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 or corruption 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.

Sale of the Group and merger with OCS

It was announced in the year that the Group would form part of the Divested Business being sold by the Atalian Group to CD&R. On the 28th February 2023 this transaction was completed. Breaking away from the Atalian Group gives rise to a number of divergence risks such as the need to migrate data out of shared systems and into new environments and the need to establish replacement group function support previously provided by the Atalian Group. News of change such as this also creates uncertainty for colleagues which could lead to key talent choosing to leave their employment, and customers could also question the impact on service delivery to them. These risks have been mitigated with robust planning, the establishment of a transitional services agreement with the Atalian Group for the provision of any necessary on-going support, and dialogue with colleagues and customers at pertinent milestones to keep them updated.

Separately to the divergence from the Atalian Group, the subsequent planned merger with the OCS carries its own risks such as minimising any uncertainty and negative impact for colleagues, customers and other stakeholders, migrating onto common systems, platforms and process effectively and efficiently without loss of data or operational disruption and achieving anticipated synergy targets to recognise value for shareholders. To manage these risks an experienced integration project team has been established which will utilise good governance and project management tools to control and monitor the progress of this major change project in conjunction with dedicated workstream leads who will represent business divisions and functions. Continued regular dialogue with colleagues and customers is key and a communication workstream has been created to help manage this aspect.

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Environmental social governance

A proactive and comprehensive approach to the management of environmental social governance risks has increased in importance in recent years and during the period. The Group must remain compliant with relevant reporting requirements and topical legislation which is ever evolving and must be able to achieve its carbon neutral targets both for reason of engaging in sustainable business practices but also to avoid reputational damage associated with failing to achieve. The availability of external funding is increasingly linked to successful achievement of metrics on these topics, so the Group enhanced its resources both in terms of personnel and systems in the period in order to better mitigate this risk.

Colleague volunteering hours increased in the period with participation in schemes to support regular reading with school aged children, tree planting days and assistance at local foodbanks.

Legislative and regulatory compliance

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. 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 2023.

Attraction and retention of talent

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. With attraction and retention of key management and the wider workforce in mind, the Group prioritised improving the wellbeing of and engagement with colleagues during the period with a structured approach to introducing new benefits and providing support on the topics of mental, physical, financial and social wellbeing. Interactive Q&A sessions were held with the executive committee throughout the year to increase opportunities for engagement. 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 retention and gain

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

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Customer retention and gain (continued)

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.
How the Group engages and responds	<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"> a whole Group colleague survey was launched in the period with colleagues invited to give feedback on topics related to wellbeing, development opportunities, job satisfaction and diversity and inclusion; the Group's innovation challenge, the "One" (an internal competition to inspire and engage with the workforce) ran again in 2022 with colleagues from all areas of the business invited to submit their ideas for innovation, with 5 finalists presenting their concept to the Board. Run as a competitive challenge, colleagues 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; CHROMA, the Group's colleague-led diversity & inclusion platform, continued to grow and drive change in the year 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

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	<p>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>Interactive Q&A sessions with the executive committee were run during the period with different teams invited to come and put their questions and discussion topics to the senior team to talk about matters of importance to them.</p>
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with the Group's workforce:</p> <ul style="list-style-type: none"> the Board reviewed and revised colleague benefits in response to feedback. Refer to principal decision 2 below; a new occupational health scheme was implemented to better support colleagues back into work; in response to the national impact of inflation on the cost of living and the concerns raised by colleagues in the Q&A sessions and via the colleague engagement survey, the Group ran a dedicated financial wellbeing week during 2022, putting on sessions with partners such as Wagestream and Aon to discuss financial management tips, budgeting skills and pensions essentials; a continuing request from employees in the period was for more awareness of the rewards and benefits available to them. Following the successful running of a similar campaign in 2021, the Group ran a campaign during December 2022 to daily communicate to employees regarding the benefits and rewards on offer.
Customers Why they matter	<p>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.</p>
What matters to them	<p>Consistency of supply; service excellence; transparency; efficiency; value for money; trusted long-term partnerships; sustainability; innovation and new technologies; responsiveness.</p>
How the Group engages and responds	<p>Strong customer relationships and the ability to collaborate effectively were key in 2022. 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 2022 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 meetings and site visits have been attended by the Chief Executive Officer, the Chief Operating Officers and other Board members; Given the announcements in the period regarding the proposed change of ownership of the Group, specific communications were prepared for customers to communicate key details to them at pertinent times; Account management meetings and regular periodic commercial performance reporting continued to take place with customers; Insight is gathered from print and social media to understand customer activities and priorities so account management teams are better informed and able to solution bespoke support; <p>Collecting feedback from customers.</p>
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with our customers:</p> <p>Our catering division launched a "cook together, eat together" initiative with an education customer in September 2022 which was well received by pupils and their parents and helped our customer encourage the positive messages it was looking to embed in its school community.</p>

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	<p>Our teams supporting our policing and crime customers were called upon (with other suppliers) to provide enhanced levels of critical support during the 2022 national mourning period for the late Queen as part of the government's security initiative.</p> <p>Our Cleaning division has worked closely with one of its customers within the rail industry to modernise, optimise and digitise aspects of the train operating company's cleaning processes, resulting in a series of performance improvements and enhanced efficiencies, for which we were nominated for an award (the PFM "Partners in Cleaning" 2022 award).</p>
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.
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> <p>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;</p> <p>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;</p> <p>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;</p> <p>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.</p>
Outcomes and actions following engagement	<p>The following outcomes and actions resulted from engagement with our suppliers:</p> <p>We held a number of supplier days in 2022 at our offices as well as on supplier sites to encourage operational stakeholders to meet suppliers and ensure there were multiple channels of engagement throughout the supply chain. One such supplier day was to promote diversity and inclusion within the supply chain and focused on areas of improvement for both supplier and the Group;</p> <p>We increased our SME usage by the largest percentage year on year during 2022, working more closely with small businesses and developing a lean, streamlined procurement approach for small and medium enterprises. Specific seminars for small and local suppliers were held to ensure the relevant suppliers were able to comply with Atalian Servest policies and processes;</p> <p>A culinary classroom program was launched in year in conjunction with a food supplier to the Group, bringing together farmers and chefs and integrating the supply chain stakeholders so that all involved better understand the challenges within the supply chain and to create discussion on removing waste, improving communication and ensuring visibility and traceability throughout the supply chain.</p>
Communities and Environment	
Why they matter	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

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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.

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

Examples of how the Group engages with and responds to this stakeholder group are as follows.

The Group sought opportunities to partner with local organisations (local to Bury St Edmunds and/or local to key customer contract activities or other office locations) to support the needs of the communities in which it operates;

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's catering division ran workshops for members of the communities in which we provide services to schools and other educational establishments to teach the importance of good nutrition and healthy eating;

Contact was proactively made with various local charities to understand how support could be best given (financial support or volunteering time) so that an impactful strategy for charity fundraising and volunteering days could be devised for 2022.

Outcomes and actions following engagement

The following outcomes and actions resulted from engagement with the Group's communities and environment:

Volunteers attended a foodbank near Bury St Edmunds in the run up to Christmas 2022 to deliver donations collected from our offices and to prepare Christmas hampers for people in the local community relying on the support of the foodbank;

A recipe book containing recipes for low cost nutritious meals was created by the Group's catering division to help tackle holiday hunger, with over 500 copies of the book distributed to families in need together with goodie bags with the ingredients to cook many of the meals. The book also went on sale with 50% of the profits invested back into the catering service delivered at one of our primary school customer sites and the other 50% of the profits applied to purchase ingredients for use at other schools where the issue of holiday hunger was high;

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 21 & 22.

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.

Atalian Servest Holdings Limited

Strategic Report Continued

for the year ended 31 December 2022

How the Group engages and responds	<p>Engagement with and response to this stakeholder group during 2022 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 provided relevant information and notification to government departments and regulators as part of the change of ownership processes relating to the sale of the Divested Business; Various government bodies and local authorities are customers of the Group, so the Group engages with them as customers as well.
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"> Particular discussion with government and local authority customers was had following the acquisition of Incentive FM Group Limited to notify them of the acquisition and the subsequent intra-group reorganisation. Refer to principal decision 1 below; 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 an expanded invoice factoring facility; New governance and reporting frameworks were discussed in the period with the new owner of the Group, CD&R, to take effect upon completion of the transaction.
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 3 below; The Board resolved to change the Group's day to day banking partner to Barclays Bank plc in order to access facilities appropriate for the Group's needs. Refer to principal decision 5 below; The continued development of the Group's internal controls project (as detailed above).

Atalian Servest Holdings Limited

Strategic Report Continued

for the year ended 31 December 2022

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: Acquisition of Incentive FM Group Limited and its subsidiaries

In order to continue to grow the business the Board resolved to return to pursuing strategically aligned acquisitions which contain synergistic benefits. As a result, the Group completed the acquisition of Incentive FM Group Limited in the period. Incentive FM Group Limited and its subsidiaries had an excellent reputation in the industry and acquiring it brings proven service expertise in a number of sectors which complement and enhance the Group's existing offerings. This acquisition 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.

Principal Decision 2: Colleague benefits review

As part of the Group's plan to mitigate the risk of not being able to attract and/or retain key talent necessary to drive the business forward, the Board resolved to make improving employee engagement and wellbeing a key priority in 2022. Part of the strategy employed to achieve these improvements was a review of the benefits offered to colleagues throughout the business, benchmarking them against not only benefits offered by competitors but also benefits considered market standard for similar roles in other industries. Colleagues themselves were also asked (in a colleague engagement survey) whether or not they were happy with the benefits on offer. After reviewing the feedback, the Board resolved to apply time, resource and funding to enhancing benefits.

One key benefit introduced in the period was Wagestream, a financial tool to allow better visibility of earned wages and the ability to access those wages early. Appropriate caps were applied to the maximum percentage of wages that could be streamed early in order to impose sensible financial management whilst still allowing for the benefit to be of use in emergency situations. Currently over 22,000 colleagues now have access to this benefit, with further roll out planned in 2023. Other enhancements were made to benefits in the period, such as the introduction of the ability to purchase additional holiday and an enhanced maternity scheme for some colleagues.

Principal Decision 3: 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 2023 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 entered into an amended invoice factoring arrangement effective within the period and additional Group companies were brought into the facility during 2022.

Principal Decision 4: 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 the group ERP system (Dynamics 365) has continued during 2022. 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. Once fully implemented across the Group it will lead to enhanced reporting and efficiencies in financial processing.

Principal Decision 5: Choice of new banking partner

In the period the Group resolved to change its day to day banking partner to Barclays Bank Plc (having first run a tender process to understand the facilities and solutions offered by different banks to support the growing needs of the Group). Barclays as the successful partner was able to solution fit for purpose support for the business as it entered a time of change and could provide transactional support for day to day banking needs, so the Group began a process to transition banking facilities to Barclays which was largely completed by the end of 2022.

Atalian Servest Holdings Limited

Strategic Report Continued

for the year ended 31 December 2022

Principal Decisions *(continued)*

Principal Decision 6. Declaration of dividends

Consistent with its strategy to return value to its shareholder and in light of the positive business outlook, the Board declared and paid dividends totalling £10.9m in the period. This decision was supported by key financial performance indicators, in particular, revenue growth of 19.3% from £696.2 to £830.6m and so accordingly the Board were comfortable in declaring and paying these dividends.

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 2023, 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 2023 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.


Managing through significant change and combining the business with that of the OCS Group will be the primary focus in 2023 following the completion of the sale of the Company to CD&R on 28th February 2023. Establishing a market leading facilities management business which delivers strong margins, is cash generative and attracts and retains the best talent in the industry is the focus for the Group so that it is well placed to continue its growth trajectory.

Executing the integration plans well and to time will be of high importance to ensure that the Group settles into its new normal and synergy targets are achieved, with quick decisions expected in terms of leadership teams, branding and operating models. Longer term decisions regarding entity structures, system alignment, operating practices and so on will follow. A strong focus on the retain and gain philosophy will continue, 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. The Group will also continue to identify strategically aligned acquisitions to enhance its service offering and expand its customer base.

The business had a strong start to 2023, performing well in the first half of the financial year. The Board believes that the Group is well placed to operate sustainably, working towards achieving growth plans and performance targets.

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

T. Evans



Director

Date: 28 July 2023

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

Directors' Report

for the year ended 31 December 2022

The Directors present their Directors' Report and the audited financial statements for the year ended 31 December 2022.

Principal activities

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

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

Results and dividends

The comprehensive profit for the year, after taxation, amounted to £4.4m (2021: £26.4m loss).

The Directors recommend the payment of an interim dividend during the year of £10.9m (2021: £11.6m), with no final dividend being declared.

Directors

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

D. Dickson

T. Evans

L. Ryan

R. Outartre (appointed 28th February 2023 resigned 13 June 2023)

C. Rochat (appointed 28th February 2023 resigned 13 June 2023)

B. Deschamps (appointed 28th February 2023 resigned 13 June 2023)

Financial instruments

Please refer to the financial assets and liabilities note to the financial statements (note 28).

Political donations

No political donations were made in the year (2021: £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.

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 32 for further details on post balance sheet events.

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

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 £4.4m for the year and its net asset position reduced to £244.2m (2021: £250.7m). The Group continued to be liquid and closed with a cash balance of £16.2m (2021: £10.9m). Current assets cover current liabilities by 1.0 times (2021: 1.0 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 July 2024. 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 the OCS Group, following the sale of the business on the 28th of February 2023, 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 £41.3m (2021: £39.6m) worth of factored receivables under a facility with a limit of £65m (2021: £50m). This will provide the Group with additional source of funds as required. In addition, the Group has access to a £117m (2021: nil) revolving credit facility to fund acquisitive growth and working capital requirements.

On 28 Feb 2023 the entire share capital and voting rights of Atalian Servest Holdings Limited (ASH) was acquired by Clayton, Dubilier & Rice ("CD&R"), a global private investment firm from Atalian Holding Development & Strategy (AHDS) and the minority shareholders of LFA. The completion of the transaction was subject to customary conditions, including regulatory and competition authority approvals in a number of jurisdictions, as a result of the intention of CD&R to combine ASH with OCS Group another international facilities management company headquartered in the United Kingdom and operating mainly in the United Kingdom and the Asia Pacific region. The acquisition triggered a change in the funding mechanism for the UK and Ireland group. The previous loan facility in place with La Financière Atalian S.A.S has been settled in full and replaced with a loan of £183.6m which covenant free and not re-payable prior to August 2024. In addition the preference shares held by La Financière Atalian S.A.S have been acquired OCS Group Investments Ltd under the existing terms.

The shareholders have confirmed that this loan will not be recalled unless the Group has sufficient funds to settle this without impacting its going concern status. This change in funding arrangement does not have an impact on the directors assessment that the Group will be able to continue in operational existence.

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 Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

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, 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 period. 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;

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

Directors' responsibilities (continued)

- provide additional disclosures when compliance with the specific requirements in 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 Standards 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 Adopted International 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 period, and to the date of signing the financial statements, Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the 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 2022 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 2022 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 was supported by the management board of the global Atalian business in the period (post period end and following the sale of the Company to CD&R, by the executive committee of the international OCS group instead), as discussed further in relation to Principal 2 below.

In terms of purpose, the Company's purpose is one and the same as the Group's purpose which was formalised by the board of Atalian Servest Limited during 2019 in order to guide strategy, decisions, behaviours and culture. Whilst it was felt 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.

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

Corporate Governance Statement (continued)

Principle 1: Purpose and Leadership (continued)

To achieve its purpose, the Group draws on its corporate values (integrity, entrepreneurial spirit, agility, simplicity and sustainable development), and it encourages 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, with the 2022 competition focussed specifically on sustainable development. 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.

Executive members of the Board play an active role in embedding the purpose, culture and values in the Group, both in its office and operational environments. Each executive 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 executive Board members (together with other board members of Atalian Servest Limited) 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. A colleague engagement survey was made available to all colleagues in the Group to complete during 2022 to invite feedback to specific questions on topics such as diversity and inclusion, wellbeing, company values, job satisfaction and development opportunities.

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 directors who served in the year and up to the date of the report are as follows:

Daniel Dickson: Chief Executive Officer UK and Ireland

Thomas Evans: Chief Financial Officer UK and Ireland

Laura Ryan: Chief Legal & Risk Officer UK and Ireland

Romain Dutartre: Investor Director

Christian Rochat: Investor Director

Bruno Deschamps: Investor Director

Three members of the Board are executive directors and three members of the Board are investor directors appointed by the Company's shareholder. The three investor directors were appointed to the Board post period end to reflect the changing needs of the business following completion of the sale of the Company to CD&R.

As the Company's primary activity is that of a holding company for the trading group below it, it is considered that the composition of the Board is appropriate for this activity, complemented and enhanced by the composition of the board of Atalian Servest Limited as the top trading entity in the Group.

Members of the Board have been appointed to ensure a balance of skills, backgrounds, experience and knowledge.

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: The Board is collectively responsible to its shareholder for the long term success of the Company and the Group that sits under it, and together is responsible for setting the overall strategy and management direction and control of the Group. It is also responsible for monitoring the Company's performance and for ensuring that prudent and effective controls are in place to manage risk in line with defined appetite.

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

Corporate Governance Statement (continued)

Principle 3: Director Responsibilities (continued)

The Board operates within a governance framework as agreed with its shareholder to ensure that decision making always takes place at the right level. Matters to be escalated for higher approval are dealt with in line with this governance framework and are either discussed at Board meetings or at monthly business review meetings attended by one or more investor directors or on an ad hoc basis.

A Board-approved delegation of authority and compliance framework will be communicated to the Group during 2023 to replace a similar framework in place prior to the transfer of ownership to CD&R.

The Company's shareholder has exercised its right to appoint investor directors to the Board to participate in meetings of the Board.

Integrity of Information: As a holding company, Board meetings are scheduled generally on an ad hoc basis to deal with specific needs (such as the declaration of dividends), with trading reviews for the Group taking place in the form of monthly business reviews attended by one or more of the executive directors and one or more of the investor directors. The trading reviews cover a standing agenda of items to report on key aspects of the business of the trading Group such as health and safety, legal and risk, financial performance, operational matters, new business opportunities and marketing activity.

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 (and rebids) above a certain defined value must be formally presented to the board of Atalian Servest Limited to enable challenge to the solution and pricing model and allow for acceptance of the commercial terms, and new customer contracts (and rebids) that contain a certain risk profile that the board of Atalian Servest Limited wish to pursue must be escalated further for approval by the Company's shareholder.

Innovation is encouraged by the Group 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 Group 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. This competition has been run on an annual basis thereafter.

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 risk register that is presented to the board of Atalian Servest Limited on a monthly basis for review and consideration. This risk register is then available for the Board to review. Risks with the highest residual risk rating (after taking account current mitigating actions) have written action plans against which the board of Atalian Servest Limited (reporting to the Board) monitors progress. On a periodic basis written analysis of the key risks on each divisional and departmental risk register is received to aide in the management of risk and the identification of 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 main objective is to attract and retain talent at rates that are at least consistent with market standards. In setting remuneration packages for directors and senior managers employed by the Company the Board benchmarks against competitors and other businesses in the sectors in which the Group operates. It also takes into account any instructions received from its shareholder and any considerations imposed by customer contracts. Remuneration packages for directors and senior managers in the Group not employed by the Company are subject to the process set at Atalian Servest Limited level (again taking into account any instructions received by the Company's shareholder and any considerations imposed by customer contracts).

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

Corporate Governance Statement (continued)

Principle 5: Remuneration (continued)

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.

The executive members of the Board and the wider senior management team in the Group below 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.

The Group reports 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 seven legal entities within the UK which employ 250 or more employees (up from five in previous years due to the acquisition of Incentive FM Group Limited and its subsidiaries) and so reported for each of them using a "snapshot date" of 5 April 2022. Atalian Servest Limited, the Group's largest employer and trading entity within the Group (which also employs a significant proportion of the UK's senior leadership team), reported a 0% median pay gap and a 4.89% mean pay gap for 2022, signifying an improvement from 2021 (in which the reported mean gender pay gap for this entity was 6.74%).

These results show improvement year on year 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.

Atalian Servest Holdings Limited

Directors' Report (continued)

for the year ended 31 December 2022

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:

	2022	2021
Energy		
Electricity consumed across owned/leased buildings (kWh)	948,580	963,137
Gas consumed across owned/leased buildings (kWh)	277,161	212,896
Fuel used by fleet for business travel (kWh)	30,715,864	26,119,466
Electricity used by EV fleet for business travel (kWh)	19,401	9,794
Total	31,961,006	27,305,293

At the beginning of 2021, all the Group's offices were closed due to the pandemic which reduced normal energy consumption and minimal road travel took place as a result of working from home instructions.

The emissions and carbon data presented excludes Aktrion Group because the entities do not fall into the scope of the reporting as Turnover is less than £36m and balance sheet less than £18m.

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 2 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

Greenhouse Gas emissions data in the year were as follows:

	2022 CO ₂ e tonnes	2021 CO ₂ e tonnes
Emission Type		
Scope 1: Operation of facilities	7,928	8,255
Scope 2: Purchase Energy (UK)	187	225
Total Emissions	8,115	6,480

Greenhouse Gas emissions intensity ratio.

	2022	2021
Total footprint (Scope 1 and Scope 2) – CO ₂ e k tonnes	8,115	6,481
Turnover (£m)	830.6	699.6
Intensity Ratio (CO ₂ e k tonnes/£1m)	9.8	9.3

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).

The period of the report is from 1 January 2022 to 31 December 2022.

Atalian Servest Holdings Limited

Directors' Report *(continued)*

for the year ended 31 December 2022

Streamlined Energy and Carbon Reporting *(continued)*

This includes emissions under Scope 1 and 2, 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.



T. Evans

Director

Date: 28 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATALIAN SERVEST HOLDINGS LIMITED

Opinion

We have audited the financial statements of Atalian Servest Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise Consolidated Statement of Profit or Loss, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- confirming, in conjunction with our walkthrough of the Group's financial close process, our understanding of management's Going Concern assessment process and updates required following the change in ownership of the Group post year end;
- obtaining and auditing the Directors' going concern assessment, including the cash flow forecasts for the going concern review period to 31 July 2024 ('the review period'). Our audit procedures included, obtaining an understanding of management's process of going concern assessment and auditing the supporting cash flow forecasts.
- assessing the risks that we considered most likely to adversely affect the Company's available financial resources over the going concern review period which included the impact of the current macro-economic pressures including the cost-of-living crisis, interest rates and inflation. We also performed sensitivities of the potential impact of changes in financial performance.
- considering the appropriateness of the methods used to calculate the cash forecasts, including comparison of forecasts to actual post year end trading. We also assessed the historical accuracy of forecasts by comparing actual results to previous forecasts and verified that the future forecasts used are consistent with the budgets approved by the board.

Independent Auditor's Report to the Members of Atalian Servest Holdings Limited (continued)

Conclusions relating to going concern (continued)

- considering mitigating factors that are within the control of the Company.
- understanding the shareholder funding arrangements within the wider OCS group to confirm access and availability to facilities in the event that they are required during the going concern review period. This included understanding the funding terms in the event of any funding deficit and the ability of the company to access these funds.
- reading the going concern disclosures included in the Directors' Report and Basis of Preparation note in the financial statements, to confirm they were appropriate and in conformity with the reporting standards.

Our observations are that the Group/company is profitable and cash generative. In addition to liquidity from these sources, the Group/company has access to additional funding from its shareholders. The has a consistent customer base which provide good visibility of revenues and cash flows over the Going Concern review period. As a result, we concluded that there is adequate liquidity over the Going Concern review period.

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 parent company's ability to continue as a going concern for a period to 31 July 2024.

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 ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 3 to 22, 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.

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 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 16 to 17, 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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.

Independent Auditor's Report to the Members of Atalian Servest Holdings Limited (continued)

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

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 UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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.
- 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 UK Generally Accepted Accounting Practice. 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 period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the Group and the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Date

28th July 2023

Atalian Servest Holdings Limited

Consolidated Statement of Profit or Loss for the year ended 31 December 2022

	Note	Business performance	Non- underlying ¹ items	2022 Total	Business performance	Non- underlying ¹ items	2021 Total
		£m	£m	£m	£m	£m	£m
Revenue	3	830.6	-	830.6	696.2	-	696.2
Cost of sales		(739.0)	-	(739.0)	(602.5)	-	(602.5)
Gross profit		91.6	-	91.6	93.7	-	93.7
Administrative expenses		(63.2)	(11.4)	(74.6)	(81.6)	(25.3)	(106.9)
Operating profit/(loss)	4	28.4	(11.4)	17.0	12.1	(25.3)	(13.2)
Finance income		1.4	-	1.4	-	-	-
Finance costs	9	(14.3)	-	(14.3)	(12.9)	-	(12.9)
Profit/(Loss) before taxation		15.5	(11.4)	4.1	(0.8)	(25.3)	(26.1)
Income tax	10			0.3			(0.3)
Profit/(Loss) for the year				<u>4.4</u>			<u>(26.4)</u>

Profit for the year is equivalent to total comprehensive profit for the year.

All profit/losses are attributable to equity holders of the parent company.

All profit/losses in both periods were derived from continuing activities.

The notes on pages 33 to 72 form part of these financial statements.

¹ Non-underlying items are explained in note 9

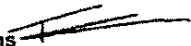
Atalian Servest Holdings Limited

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	11	53.8	42.8
Goodwill	13	345.4	318.0
Property, plant and equipment	14	36.6	31.3
Other loans and receivables	20	0.2	0.2
Deferred tax assets	23	11.3	12.1
Total non-current assets		447.1	404.2
Current assets			
Inventories	17	3.7	3.3
Contract assets	3	60.5	51.1
Trade receivables	18	101.0	91.3
Other receivables	19	23.7	17.6
Corporation tax repayable		-	0.5
Cash and cash equivalents	25	16.2	10.9
Total current assets		205.1	174.7
Total assets		652.2	578.9
Liabilities			
Non-current liabilities			
Borrowings	22	(173.0)	(142.7)
Lease liabilities	15	(11.1)	(8.2)
Deferred tax liabilities	23	(12.2)	(9.6)
Total non-current liabilities		(196.3)	(160.5)
Current liabilities			
Trade and other payables	21	(150.8)	(117.0)
Contract liabilities	3	(11.5)	(5.2)
Corporation tax payable		(1.2)	-
Borrowings	22	(41.3)	(39.6)
Lease liabilities	15	(6.9)	(5.9)
Total current liabilities		(211.7)	(167.7)
Total liabilities		(408.0)	(328.2)
Net assets		244.2	250.7
Equity			
Share capital	24	216.9	216.9
Preference shares	24	220.0	220.0
Accumulated losses		(192.7)	(186.2)
Total equity		244.2	250.7

The notes on pages 33 to 72 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: 28 July 2023
Company Number: 11278510

Atalian Servest Holdings Limited

Company Statement of Financial Position as at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Investments	16	249.4	249.4
Other loans and receivables	20	355.1	330.1
Total non-current assets		604.5	579.5
Current assets			
Trade receivables	18	6.3	1.6
Total current assets		6.3	1.6
Total assets		610.8	581.1
Liabilities			
Non-current liabilities			
Borrowings	22	(164.4)	(142.7)
Total non-current liabilities		(164.4)	(142.7)
Current liabilities			
Trade and other payables	21	(8.9)	(0.3)
Bank overdrafts	25	-	(0.4)
Total current liabilities		(8.9)	(0.7)
Total liabilities		(173.3)	(143.4)
Net assets		437.5	437.7
Equity			
Share capital	24	216.9	216.9
Preference shares	24	220.0	220.0
Accumulated profits		0.6	0.8
Total equity		437.5	437.7

The notes on pages 33 to 72 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 2022 was £9.7m (2021: £11.1m).

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

T. Evans
Director

Date: 28 July 2023

Atalian Servest Holdings Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Note	Share capital £m	Preference shares £m	Accumulated losses £m	Total equity £m
Balance at 31 December 2020		216.9	198.0	(148.2)	266.7
Loss for the year		-	-	(26.4)	(26.4)
Total comprehensive loss for the year		-	-	(26.4)	(26.4)
Transactions with owners					
Issue of share capital		-	22.0	-	22.0
Dividend paid		-	-	(11.6)	(11.6)
Balance at 31 December 2021		216.9	220.0	(186.2)	250.7
Profit for the year		-	-	4.4	4.4
Total comprehensive income for the year		-	-	4.4	4.4
Transactions with owners					
Dividend paid	24	-	-	(10.9)	(10.9)
Balance at 31 December 2022		216.9	220.0	(192.7)	244.2

The notes on pages 33 to 72 form part of these financial statements.

Atalian Servest Holdings Limited

Company Statement of Changes in Equity for the year ended 31 December 2022

	Note	Share capital £m	Preference shares £m	Accumulated profits £m	Total equity £m
Balance at 31 December 2020		216.9	198.0	1.3	416.2
Profit for the year		-	-	12.1	12.1
Total comprehensive income for the year		-	-	12.1	12.1
Transactions with owners					
Issue of share capital		-	22.0	-	22.0
Dividend paid		-	-	(11.6)	(11.6)
Balance at 31 December 2021		216.9	220.0	1.8	438.7
Profit for the year		-	-	9.7	9.7
Total comprehensive income for the year		-	-	9.7	9.7
Transactions with owners					
Dividend paid	24	-	-	(10.9)	(10.9)
Balance at 31 December 2022		216.9	220.0	0.6	437.5

The notes on pages 33 to 72 form part of these financial statements.

Atalian Servest Holdings Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash receipts from customers		811.6	665.6
Cash paid to suppliers		(299.3)	(222.1)
Cash paid to employees		(462.5)	(423.5)
Receipt of government grants	6	-	18.4
Cash generated from operations		49.8	38.4
Interest paid		(15.2)	(8.8)
Income tax received/(paid)		0.8	(1.1)
Net cash inflow from operating activities		35.4	28.5
Cash flows from investing activities			
Payments for purchase of intangible assets, property, plant and equipment		(12.9)	(10.1)
Proceeds from the sale of property, plant and equipment		3.2	4.2
Net cash outflow from investing activities		(9.7)	(5.9)
Cash flows from financing activities			
Principal element of lease payments	15	(9.5)	(8.3)
Repayment of borrowings	22	-	(7.2)
Payment of dividends	24	(10.9)	(11.6)
Net cash outflow from financing activities		(20.4)	(27.1)
Net increase/(decrease) in cash and cash equivalents		5.3	(4.5)
Cash and cash equivalents at beginning of period		10.9	15.4
Cash and cash equivalents at year end	25	16.2	10.9

The notes on pages 33 to 72 form part of these financial statements.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting policies

General information

Atalian Servest Holdings Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Vicon House, 2 Western Way, Bury St Edmunds, IP33 3SP. The registered number of the Company is 11278510.

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

Basis of preparation

The consolidated financial statements of Atalian Servest Holdings Limited have been prepared in accordance with international 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 Holdings Limited as listed in note 16.

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.

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

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 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

The adoption of IAS 37 amendments had no significant impact on the consolidated financial statements.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Leases*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Going concern

The Group made a profit after tax of £4.4m for the year and its net asset position reduced to £244.2m (2021: £250.7m). The Group continued to be liquid and closed with a cash balance of £16.2m (2021: £10.9m). Current assets cover current liabilities by 1.0 times (2021: 1.0 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 July 2024. 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 the OCS Group, following the sale of the business on the 28th of February 2023, 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 £41.3m (2021: £39.6m) worth of factored receivables under a facility with a limit of £65m (2021: £50m). This will provide the Group with additional source of funds as required. In addition, the Group has access to a £117m (2021: nil) revolving credit facility to fund acquisitive growth and working capital requirements.

On 28 Feb 2023 the entire share capital and voting rights of Atalian Servest Holdings Limited (ASH) was acquired by Clayton, Dubilier & Rice ("CD&R"), a global private investment firm from Atalian Holding Development & Strategy (AHDS) and the minority shareholders of LFA. The completion of the transaction was subject to customary conditions, including regulatory and competition authority approvals in a number of jurisdictions, as a result of the intention of CD&R to combine ASH with OCS Group another international facilities management company headquartered in the United Kingdom and operating mainly in the United Kingdom and the Asia Pacific region. The acquisition triggered a change in the funding mechanism for the UK and Ireland group. The previous loan facility in place with La Financière Atalian S.A.S has been settled in full and replaced with a loan of £183.6m which covenant free and not re-payable prior to August 2024. In addition the preference shares held by La Financière Atalian S.A.S have been acquired OCS Group Investments Ltd under the existing terms.

The shareholders have confirmed that this loan will not be recalled unless the Group has sufficient funds to settle this without impacting its going concern status. This change in funding arrangement does not have an impact on the directors assessment that the Group will be able to continue in operational existence.

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 Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Basis of consolidation

(i) *Subsidiaries*

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

(ii) *Goodwill*

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. All direct costs of acquisition are recognised immediately as an expense in the statement of profit or loss.

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

(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.

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

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

(iv) *Transactions eliminated on consolidation*

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

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
• Computer equipment	2-5 years
• Fixtures and fittings	2-10 years

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

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

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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. 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 22).

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

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.

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.

Intangible assets

Intangible assets other than goodwill (please see within *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:

- | | |
|--------------------------------|----------|
| • Software | 10 years |
| • Customer base and reputation | 10 years |
| • Regional licences | 20 years |

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

Impairment of assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. 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 post-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 two-three years. A long-term growth rate is calculated and applied to future cashflows after the third 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.

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.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

Investments

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

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

Joint ventures

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

Associates

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

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

Financial instruments

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

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

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no derivative financial instruments for 2022 (2021: none)

Trade and other payables

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

Interest-bearing borrowings

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

Trade receivables

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

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

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

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

Revenue

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

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

(i) Cleaning

Contracts for Cleaning services 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.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (continued)

Revenue (continued)

(ii) Catering

Contracts for Catering services relate 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 in 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) Integrated Solutions

Contracts for Integrated Solutions relate to the operation and maintenance of print machinery within the media sector and management of production lines within the automotive sector and all services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of the services.

(v) Technical Services

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

(vi) Projects

Contracts for Projects typically relate to construction and building works. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Please see note 2 for further details on judgements relating to estimated total costs.

(vii) Contract assets and liabilities

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

Non-underlying items

The following are disclosed separately as non-underlying items in order to provide a clear indication of the Group's underlying performance, these have been disclosed as non-underlying due to their nature:

- Redundancy and other costs
- Government grants and other government support
- Impairment of Goodwill
- Amortisation of acquired intangibles

Please see note 8 for further explanation of these categories.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Accounting policies (*continued*)

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.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of services;
- contract assets relating to revenue billed in advance;
- Other receivables relating to loans to associates carried at amortised cost.

Trade receivables and contract assets

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

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

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.

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 on declaration.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

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 27 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 period. These policies require forecasts to be made of the outcomes of long-term construction services which require estimates to be made of both cost and income recognition on each contract. On the cost side, estimates of forecasts are made on the final out-turn of each contract in addition to potential costs to be incurred for any maintenance and defects liabilities. 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 15.

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. Please see note 13.

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 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 23.

Atalian Servest Holdings Limited

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Critical accounting judgements and estimates (continued)

Judgements (continued)

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. Please see note 13.

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 based on nature of the item. 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 2022	Cleaning £m	Catering £m	Security £m	Projects £m	Technical Services £m	Integrated Solutions £m	Total £m
<i>Primary geographical market</i>							
United Kingdom	348.8	70.5	84.8	84.0	141.6	73.4	802.1
Republic of Ireland	2.3	1.1	-	-	-	-	3.4
Europe	-	-	-	-	-	24.1	24.1
	351.1	71.6	84.8	84.0	141.6	97.5	830.6
<i>Timing of revenue recognition</i>							
At a point in time	28.4	48.4	6.4	1.8	54.1	7.0	146.1
Over time	322.7	23.2	78.4	82.2	87.5	90.5	684.5
	351.1	71.6	84.8	84.0	141.6	97.5	830.6

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	282.2	57.4	102.0	101.5	91.5	34.5	669.1
Republic of Ireland	1.9	0.7	-	-	-	-	2.6
Europe	-	-	-	-	-	24.5	24.5
	284.1	58.1	102.0	101.5	91.5	59.0	696.2
<i>Timing of revenue recognition</i>							
At a point in time	27.6	33.4	35.9	0.5	52.7	1.4	151.5
Over time	256.5	24.7	66.1	101.0	38.8	57.6	544.7
	284.1	58.1	102.0	101.5	91.5	59.0	696.2

Atalian Servest Holdings Limited

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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

	2022 Contract assets	2022 Contract Liabilities	2021 Contract assets	2021 Contract Liabilities
	£m	£m	£m	£m
Cleaning	13.8	(3.8)	9.8	(1.9)
Security	2.8	-	5.0	-
Catering	2.0	(0.2)	1.1	(0.3)
Projects	24.4	(1.6)	23.1	(1.2)
Technical Services	13.9	(3.0)	10.7	(1.8)
Integrated Solutions	3.6	(2.9)	1.3	-
Other	-	-	0.1	-
	80.5	(11.5)	51.1	(5.2)

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

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

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

	2022 £m	2021 £m
Cleaning	1.9	0.8
Catering	0.3	0.2
Projects	1.2	4.4
Technical Services	1.8	0.8
Integrated Solutions	-	0.1
Security	-	0.1
Other	-	0.1
	5.2	6.5

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 2022.

	2023 £m	2024 £m	2025 £m	Total £m
Projects	27.9	-	-	27.9
Technical Services	10.8	-	-	10.8

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For the year ended 31 December 2022

4. Operating profit/(loss)

	2022	2021
	£m	£m
Group operating profit/(loss) for the year is stated after the following:		
Staff costs (note 6)	512.1	442.1
Amortisation of intangible assets (note 11)	9.4	7.6
Depreciation of tangible fixed assets:		
- owned by the group (note 14)	10.5	7.9
- held under leases (note 15)	8.8	7.3
Profit on disposals of property, plant and equipment	(1.7)	(0.3)
Subcontractor costs	115.5	65.2
Consumables used (note 17)	98.8	79.6

5. Auditor's remuneration

	2022	2021
	£m	£m
Fees payable to the Group's auditor for the audit of the Group's financial statements	0.7	0.8
	<u>0.7</u>	<u>0.8</u>

6. Staff costs

	2022	2021
	£m	£m
Group		
Wages and salaries	462.5	423.5
Government grants (note 8)	-	(16.6)
Social security costs	41.3	29.2
Other pension costs - defined contribution schemes (note 27)	8.1	5.9
Other pension costs - defined benefit schemes (note 27)	0.2	0.1
	<u>512.1</u>	<u>442.1</u>

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

	2022	2021
Group		
Operational staff	26,020	26,438
Administration and management	2,143	1,917
Directors	3	2
	<u>28,166</u>	<u>28,357</u>

	2022	2021
	£m	£m
Company		
Wages and salaries	4.0	4.1
Social security costs	0.6	0.6
Pension costs - defined contribution schemes	0.1	0.1
	<u>4.7</u>	<u>4.8</u>

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

	2022	2021
Company		
Administration and management	6	6
Directors	3	1
	<u>9</u>	<u>7</u>

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Staff costs (continued)

The JRS 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 2021 the Group recorded £16.6m in the profit and loss and £18.4m of cash received. In 2022 the Group recorded £nil in the profit and loss and £nil of cash received.

7. Directors' remuneration

	2022	2021
Group	£m	£m
Remuneration	1.6	1.9
	1.6	1.9

Highest paid Director

The highest paid Director received remuneration of £841,282 (2021: £1,768,424). The value of the Group's pension contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £4,000 (2021: £3,333).

8. Non-underlying items

Group	2022	2021
	£m	£m
Redundancy and other costs	1.1	3.6
Acquisition costs (note 12)	0.9	-
Impairment of goodwill	-	30.7
Amortisation of acquired intangibles	9.4	7.6
Government grants (note 6)	-	(16.6)
Administrative (income)/expenses	11.4	25.3

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

Acquisition costs: one-off costs associated with the acquisition of Incentive FM Group Limited (note 12). These costs do not relate to the underlying business performance.

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

Government grants and other government support: Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

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For the year ended 31 December 2022

9. Finance costs

	2022	2021
	£m	£m
Group		
Interest on bank loans and overdrafts	1.3	0.8
Loan note interest	9.8	10.3
Other interest	2.2	0.7
Interest on lease liabilities (note 15)	0.9	1.1
Amortised borrowing costs	0.1	-
	14.3	12.9

10. Income tax

	2022	2021
	£m	£m
Group		
<i>Current tax</i>		
Current tax on losses for the year	1.0	0.8
Adjustments in respect of prior years	-	(0.4)
Total current tax	1.0	0.4
<i>Deferred tax</i>		
Origination and reversal of temporary differences	0.5	(0.1)
Deferred tax effect of change in taxation rates	(0.2)	-
Adjustments for previous periods	(1.6)	-
Total deferred tax (note 23)	(1.3)	(0.1)
Total taxation (credit)/charge	(0.3)	0.3

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

	2022	2021
	£m	£m
Profit/(Loss) before taxation	4.1	(26.1)
Loss before taxation multiplied by the rate of corporation tax of 19% (2021: 19%)	0.8	(5.0)
Effects of:		
Expenses not deductible for tax purposes	0.4	6.5
Deferred tax effect of change in taxation rates	0.3	(0.3)
Non-taxable income	(0.9)	(0.1)
Corporate interest restriction	1.0	(1.0)
Adjustments for previous periods	(1.6)	(0.4)
Group relief	-	-
Fixed asset timing	(2.5)	0.2
Other differences	2.2	0.4
Total taxation (credit)/charge	(0.3)	0.3

The UK Budget 2022 announcements on 23 September 2022 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included the UK's main corporation tax rate remaining at 19%. Deferred taxes on the balance sheet have been measured at 25% (2021 – 25%).

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For the year ended 31 December 2022

11. Intangible assets

Group	Software £m	Customer base and reputation £m	Regional licenses £m	Total £m
<i>Cost</i>				
At 31 December 2020	3.3	65.1	0.2	68.6
Additions	1.4	-	-	1.4
Transfer	0.5	-	0.3	0.8
At 31 December 2021	5.2	65.1	0.5	70.8
Additions	0.8	-	-	0.8
Additions on acquisitions	0.6	19.0	-	19.6
At 31 December 2022	6.6	84.1	0.5	91.2
<i>Accumulated amortisation</i>				
At 31 December 2020	0.4	19.5	-	19.9
Charge for the year	0.3	7.3	-	7.6
Transfer	0.4	-	0.3	0.7
At 31 December 2021	1.1	26.8	0.3	28.2
Charge for the year	1.0	8.3	0.1	9.4
At 31 December 2022	2.1	35.1	0.4	37.6
<i>Net book amount</i>				
At 31 December 2021	4.1	38.3	0.2	42.6
At 31 December 2022	4.5	49.0	0.1	53.6

The average remaining amortisation periods at 31 December 2022 is:

Software	10 years (2021: 10 years)
Customer base and reputation	14 years (2021: 5 years)
Regional licenses	4 years (2021: 5 years)

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

12. Acquisition of Incentive FM Group Limited

On 25 May 2022, the Group acquired 100% of the voting shares of Incentive FM Group Limited, a private company based in the UK that heads up a group of businesses that provide facilities management services. The Group acquired Incentive FM Group and its subsidiaries because it has an excellent reputation within the facilities management industry and acquiring it brings proven service expertise in a number of sectors which complement and enhance the Group's existing offerings. This acquisition 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.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Incentive FM Group Limited as at the date of acquisition were:

	Fair value recognised on acquisition £m
Assets	
Property, plant and equipment	0.2
Right-of-use assets	1.5
Cash and cash equivalents	5.1
Trade receivables	8.0
Other receivables	3.3
Inventory	0.3
Intangible assets – customer base	23.8
	42.2
Liabilities	
Trade payables	7.6
Other payables	17.1
Lease liabilities	1.5
Contract liabilities	1.6
Corporation tax liability	0.4
Deferred tax Liability	5.9
	34.1
Total identifiable net assets at fair value	8.1
Goodwill arising on acquisition	23.9
Purchase consideration transferred	32.1

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

The goodwill of £23,908,223 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the FM division of the company. Under IAS 38, the Group has also recognised an intangible asset for the customer base of Incentive FM Group valued at £23.8m.

As part of the purchase agreement with the previous owner of Incentive FM Group Limited, deferred consideration of £7.1m was recognised at the acquisition date which was paid to the previous owner in May 2023, one year after the acquisition date.

From the date of acquisition, the Incentive FM Group contributed revenue of £64,624,000 and EBITDA of £2,565,000 from continuing operations of the Group during 2022.

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Acquisition of Incentive FM Group Limited (continued)

Transaction costs of £900,000 were expensed and are included in non-underlying expenses.

Purchase consideration	£m
Cash	25.0
Deferred consideration liability	7.1
Total consideration	32.1
Analysis of cash flows on acquisition	
Purchase consideration	(25.0)
Net cash acquired with the subsidiary	5.1
Transaction costs attributable to acquisition (note 8)	(0.9)
Net cash flow on acquisition	(20.8)

13. Goodwill

	Goodwill
Group	£m
<i>Cost</i>	
At 31 December 2021	369.3
Recognised on acquisition of subsidiaries	27.4
At 31 December 2022	396.7
<i>Accumulated impairment losses</i>	
At 31 December 2021	(51.3)
At 31 December 2022	(51.3)
<i>Net book amount</i>	
At 31 December 2021	318.0
At 31 December 2022	345.4

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

The goodwill associated with the Group's Cleaning operation is £124.1m (2021: £124.1m), the Security operation is £4.2m (2021: £4.2m), the Catering operation is £43.5m (2021: £43.5m), the Technical Services/Projects operation is £105.0m (2021: £105.0m) and the Integrated Solutions operation £68.6m (2021: £41.2m). The recoverable amount of all of the Group's operations CGUs is determined based on the value in use calculations using cash flow projections based on financial budgets and long-range plans approved by management covering a five-year period which are prepared as part of the Group's normal planning process. The Group considers that a five-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.

Other major assumptions are as follows:

	Cleaning	Security	Catering	Technical Services/Projects	Integrated Solutions
2022					
Discount rate %	6.0	6.0	6.0	6.0	6.0
Short term growth rate %	8.7	8.1	3.7	6.1	26.3
Long-term growth rate %	3	3	3	3	3
2021					
Discount rate %	9.0	9.0	9.0	9.0	9.0
Short term growth rate %	8.2	3.0	14.7	9.8	15.9
Long-term growth rate %	3	3	3	3	3

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Goodwill (continued)

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%, for all CGUs there would be no indication of impairment (2021: no indication of impairment).

14. Property, plant and equipment

Group	Freehold land and buildings £m	Short-term leasehold property £m	Plant and machinery £m	Motor vehicles £m	Computer equipment £m	Fixtures and fittings £m	Total £m
<i>Cost</i>							
At 31 December 2020	3.1	6.0	14.1	17.7	6.6	9.5	57.0
Additions at cost	-	0.8	5.8	6.6	0.9	1.7	15.8
Disposals	-	(0.6)	(8.5)	(4.2)	-	(4.7)	(18.0)
Transfers	0.1	0.1	(3.5)	-	0.1	3.9	0.7
At 31 December 2021	3.2	6.3	7.9	20.1	7.6	10.4	55.5
Additions at cost	-	1.2	7.6	10.8	3.5	2.3	25.5
Additions on acquisition	0.2	-	0.2	0.3	0.3	-	1.0
Disposals	-	(1.7)	(5.5)	(3.6)	(0.1)	(0.9)	(11.8)
At 31 December 2022	3.4	5.8	10.2	27.6	11.4	11.8	70.2
<i>Accumulated Depreciation</i>							
At 31 December 2020	0.2	2.4	4.1	6.0	4.1	6.9	23.7
Charges for the year	0.1	1.6	4.1	6.2	0.9	2.4	15.2
Disposals	-	(0.3)	(7.5)	(3.8)	-	(3.5)	(15.1)
Transfers	-	-	-	-	-	0.3	0.3
At 31 December 2021	0.3	3.7	0.7	8.4	5.0	6.1	24.2
Charges for the year	0.1	1.5	5.5	7.6	1.7	2.9	19.3
Depreciation on acquisition	0.1	-	0.1	-	0.3	-	0.5
Disposals	-	(1.2)	(5.0)	(3.4)	-	(0.8)	(10.4)
At 31 December 2022	0.5	4.0	1.3	12.6	7.0	8.2	33.6
<i>Net book amount</i>							
At 31 December 2021	2.9	2.6	7.2	11.7	2.6	4.3	31.3
At 31 December 2022	2.9	1.8	8.9	15.0	4.4	3.6	36.6

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15. Leases

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

	2022	2021
Group	£m	£m
Property, plant and equipment owned	19.3	18.8
Right-of-use assets	17.3	13.4
	36.6	32.2

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

<i>Right-of-use assets</i>	Property	Vehicles	Other	Total
Group	£m	£m	£m	£m
Balance 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
Balance at 31 December 2021	1.2	12.0	0.2	13.4
Additions for the year	1.2	10.9	1.3	13.4
Disposals for the year	(1.7)	(3.5)	(0.1)	(5.3)
Depreciation charge for the year	(0.9)	(7.5)	(0.4)	(8.8)
Depreciation on disposals	1.2	3.3	0.1	4.6
Balance at 31 December 2022	1.0	15.2	1.1	17.3

<i>Lease liabilities</i>	2022	2021
Group	£m	£m
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	8.5	6.9
One to five years	12.1	8.6
More than five years	0.3	0.1
Total undiscounted lease liabilities at 31 December	20.9	15.6

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

Current	6.9	5.9
Non-current	11.1	8.2
	18.0	14.1

<i>Lease liabilities</i>	2022	2021
Group	£m	£m
At 1 January	14.1	14.9
Additions	13.4	7.1
Disposals	(0.9)	(0.7)
Accretions of interest (note 9)	0.9	1.1
Payment	(9.5)	(8.3)
	18.0	14.1

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Leases (continued)

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.

<i>Amounts recognised in statement of profit or loss</i>	2022	2021
	£m	£m
Group		
Interest on lease liabilities	0.9	1.1

<i>Amounts recognised in statement of cash flows</i>	2022	2021
	£m	£m
Group		
Total cash outflow for leases	9.5	8.3

16. Investments

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

Group			Proportion of ownership interest held
Name	Country of incorporation	Currency	2022
Bottega Investco S.À R.L.	Luxembourg	Euro	27.9%

The primary business of Bottega Investco S.À R.L is that of a holding company for a group of companies that provides IT services globally. The investment will give the Group access to additional service lines across new geographical areas in line with the strategy of the Group. In 2019, the company was faced with a significant funding shortfall and a major deterioration in its operational results and business outlook. The Group decided to not participate in the funding of a restructuring plan and decided to fully depreciate its share with an according impact on its income statement (see note 8 for further detail).

This investment was fully impaired during the year ended 31 December 2019.

Company	Investments in subsidiary companies
Cost	£m
At 31 December 2020	227.4
Issue of share capital	22.0
At 31 December 2021	249.4
Issue of share capital	-
At 31 December 2022	249.4

An impairment assessment was performed at the Company level and no impairment was noted.

Atalian Servest Holdings Limited

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For the year ended 31 December 2022

Investments (continued)

The Company has guaranteed the liabilities of the following subsidiaries (with the exception of Atalian Servest Limited) 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 2022:

Name	Registered number	Registered address	Class of shares held	Proportion of ownership interest	Principal activities
<i>Subsidiary undertakings</i>					
Atalian Servest Group Holdings Limited	03786009	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Atalian Servest Group Limited*	09022198	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company
Atalian Servest Limited*	06355228	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Holding company, facilities management and group administration
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 DK 18	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*	0526144	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%	Maintenance services
Ensco 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%	Dormant company
Atalian Servest Pest Control Limited*	04010488	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	100%	Pest control services

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Investments (continued)

Subsidiary undertakings

Servest Aktion Limited*	11168582	Servest House Bury St. Edmunds Suffolk, IP28 6LG 1 Hawksworth Rd	Ordinary	100%	Holding company
Aktion Holdings Limited*	05246035	Central Park Telford, Shropshire TF2 9TU 1 Hawksworth Rd	Ordinary	100%	Holding company
Aktion Group Limited*	03936590	Central Park Telford, Shropshire TF2 9TU	Ordinary	100%	Holding company
Aktion GmbH*	HRB 133987	Fuggerstraße 1b DEU-04158 Leipzig Germany 1 Hawksworth Rd	Ordinary	100%	Automotive quality control
Aktion Manufacturing Support Services Limited*	03458202	Central Park Telford, Shropshire TF2 9TU	Ordinary	100%	Automotive quality control
Aktion Iberia SL*	897134846	P.I. Juan Carlos I 46440 Almussafes Valencia Spain	Ordinary	100%	Automotive quality control
Atalian Servest Integrated Solutions Limited*	SC142990	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	100%	Manufacturing support, logistics and facilities management
QE International Limited*	03236531	1 Hawksworth Rd Central Park Telford, Shropshire TF2 9TU	Ordinary	100%	Dormant company
Aktion Poland SP. ZO.O*	00003 01002	Ul Stami Stok 93 43-300 Bielsko Poland	Ordinary	100%	Automotive quality control
Aktion Hungary KFT*	13-09- 113228	HU-2900 Komarom Laktanya koz 30/A Hungary	Ordinary	100%	Automotive quality control
Aktion CZ S.R.O*	27 52 53 25	Český Těšín Smetanova 1912/15 PSC 737 01	Ordinary	100%	Automotive quality control
Aktion Romania S.R.L*	27438160	48-52 I.C Bratianu Boulevard Pitești Romania	Ordinary	100%	Automotive quality control
Aktion Portugal, Unipessoal LDA*	513361286	Rua Frei Joaquim de Santa Rosa de Viterbo Portugal	Ordinary	100%	Automotive quality control
Alpha Facilities Management Limited*	05472405	Pemberton House Stafford Court Stafford Park Telford, Shropshire TF3 3BD	Ordinary	100%	Facilities management
Aktion France SAS*	499 599 256	58 Boulevard Jacquard 62100 Calais France	Ordinary	100%	Automotive quality control

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Investments (continued)

Subsidiary undertakings

Aktrion Slovakia S.R.O*	36566616	Piaristicka 2 94901 Nitra Slovakia	Ordinary	100%	Automotive quality control
Aktrion Gasser UK Limited*	08595889	1 Hawksworth Rd Central Park Telford, Shropshire TF2 9TU Boulevard International 55	Ordinary	100%	Automotive quality control
Aktrion Belgium*	0763313091	Anderlecht 1070 Belgium	Ordinary	100%	Automotive quality control
Incentive FM Group*	06757544	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Holding company
Incentive QAS Limited *	02477944	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Cleaning services
Specialist Window Cleaning Limited*	07710927	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Cleaning Services
Incentive Facilities Management Limited*	04324546	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Facilities management
Incentive Consultancy Limited*	08579138	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Consultancy services
Wes (Holdings) Limited*	10203608	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Holding company
Incentive TEC Limited*	01838293	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Maintenance services
Air Conditioning Economics (Holdings) Limited*	05572867	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Holding company
Incentive FM Limited*	10467253	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
Incentive Support Services Limited*	05667199	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
Weston Electrical & Mechanical Services Limited*	08213757	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant Company

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Investments (continued)

Incentive TEC Fire & Security Systems Limited*	10210337	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Maintenance services
Weston Electrical Services Limited*	03825111	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
Ace Environmental Engineering Limited*	01782534	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
Incentive Lynx Security Limited*	01719390	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
ARL Support Services Limited*	05636696	Vicon House, Western Way, Bury St Edmunds, Suffolk, IP33 3SP	Ordinary	100%	Dormant company
<i>Joint ventures</i>					
Aktrion K&S Quality Solutions (Chang Zhou) Co. Limited*	91320411MA P04T74B	Changzhou China	Ordinary	50%	Dormant company
Aktrion Latam S.A.*	2175364700 11	Taormina 2398 Montevideo 11500 Uruguay	Ordinary	50%	Dormant company
Aktrion Brazil LTDA EPP*	13 163.774./ 001-85	Rua Visconde do Rio Branco Sao Jose dos Pinhais Parana Brazil	Ordinary	99%	Dormant company
Aktrion Argentina S.A.*	30- 71456870-8	Bonpland 1343 1414 Buenos Aires Argentina	Ordinary	99%	Dormant company
<i>Associates</i>					
Bottega Investco S.Á R.L.*	B215744	9 Allée Scheffer Luxembourg City Luxembourg	Ordinary	27.9%	Holding company
Técnicas Logísticas Sistemas E Ingeniería S.L.*	B98310964	Tenor Garcia Romero 2 46015 Valencia Spain	Ordinary	35%	Logistics Process Engineering and Software Development

* denotes indirect holdings

17. Inventories

Group	2022 £m	2021 £m
Consumables	3.7	3.3
	3.7	3.3

The total cost of consumables expensed in the year and included within cost of sales is £98.8m (2021: £79.6m).

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

18. Trade receivables

	2022 £m	2021 £m
Group		
Trade receivables	107.5	94.4
Loss allowance	(6.5)	(3.1)
	101.0	91.3
Company		
Trade receivables	4.4	1.6
Amounts due from group undertakings	1.9	-
	6.3	1.6

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 £41.3m (2021: £39.6m) worth of factored receivables.

During the year the limit on this non-recourse facility increased from £50m to £65m, 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 28 for further details of impairment and risk exposure.

19. Other receivables

	2022 £m	2021 £m
Group		
Other receivables	11.9	9.3
Amounts owed by parent undertaking	5.4	6.3
Prepayments	6.4	2.0
	23.7	17.6

Other receivables include amounts relating to client retentions and supplier rebates.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

20. Other loans and receivables

	2022	2021
Group	£m	£m
Other long term receivables	0.2	0.2

A balance of £0.2m (2021: £0.2m) loan note is due from Llewellyn Smith Limited. As Llewellyn Smith Limited has been dissolved at Companies House during 2022 the directors have made a 100% bad debt provision against this receivable, however they are continuing to pursue recovery of the monies through the previous Llewellyn Smith Limited Company Directors.

	2022	2021
Company	£m	£m
Amounts due from group undertakings	355.1	330.1

Amounts due from group undertakings relate to loans with subsidiaries that are repayable in May 2025. Interest accrues on the loan at 5.96% per annum. Since initial recognition, the amounts due from group undertakings has not seen a significant increase in the exposure to credit risk. The Group has considered future possible outcomes in this assessment. As a result, no allowance for expected credit losses have been recognised in relation to the receivable.

21. Trade and other payables

	2022	2021
Group	£m	£m
Current		
Trade payables	38.5	31.6
Payroll related payables	41.8	28.2
VAT	21.0	18.2
Other payables	5.0	7.0
Accruals	37.4	32.0
Contingent consideration	7.1	-
	150.8	117.0

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

	2022	2021
Company	£m	£m
Current		
Trade payables	-	-
Other payables	0.3	0.3
Other loans owed to shareholders	8.6	-
	8.9	0.3

22. Borrowings

	2022	2021
Group	£m	£m
Non-current		
Other loans owed to shareholders	173.0	142.7
	173.0	142.7
Current		
Working capital facility	41.3	39.6
	41.3	39.6
Total borrowings	214.3	182.3

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Borrowings (continued)

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%. Please see note 32 for details of subsequent changes to loan facilities.

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 £41.3m (2021: £39.6m) worth of factored receivables.

During the year the limit on this non-recourse facility increased from £50m to £65m, 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.

Company	2022 £m	2021 £m
Non-current		
Other loans owed to shareholders	164.4	142.7
Total borrowings	164.4	142.7

Other loans owed to shareholders

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

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

	Assets		Liabilities from financing activities				Total £m
			Current		Non-current		
	Cash on hand (note 25) £m	Balances with banks (note 25) £m	Working capital facility (note 22) £m	Lease Liabilities (note 15) £m	Loans to Shareholder (note 22) £m	Lease Liabilities (note 15) £m	
Net debt as at:							
31-Dec-20	0.2	15.2	(7.8)	(5.6)	(170.5)	(9.3)	(177.8)
Cash flows	0.2	(4.7)	(31.8)	4.4	7.2	3.9	(20.8)
Other movements	-	-	-	(4.7)	20.6	(2.8)	13.1
31-Dec-21	0.4	10.5	(39.6)	(5.9)	(142.7)	(8.2)	(185.5)
Cash flows	(0.1)	5.4	(1.7)	9.5	-	-	13.1
Other movements	-	-	-	(10.5)	(30.3)	(2.9)	(43.7)
31-Dec-22	0.3	15.9	(41.3)	(6.9)	(173)	(11.1)	(216.1)

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

23. Deferred tax

Group	2022 £m	2021 £m
Deferred tax assets	11.3	12.1
Deferred tax liabilities	(12.2)	(9.6)
	(0.9)	2.5

	2022 Assets £m	2022 Liabilities £m	2021 Assets £m	2021 Liabilities £m
Deferred tax assets/(liabilities) comprise:				
Fixed asset temporary differences	2.3	-	1.9	-
Acquired on business combination	-	(12.2)	-	(9.6)
Taxable losses carried forward	9.0	-	10.2	-
At 31 December	11.3	(12.2)	12.1	(9.6)

The provision for deferred tax is made up as follows:

	Acquired Intangibles £m	Fixed asset and other temporary differences £m	Losses and other deductions £m	Total £m
At 31 December 2020	(8.7)	1.7	9.4	2.4
Recognised in the statement of profit or loss	(0.9)	0.2	0.8	0.1
At 31 December 2021	(9.6)	1.9	10.2	2.5
Acquisition of subsidiaries	(4.7)	-	-	(4.7)
Recognised in the statement of profit or loss	2.1	(0.4)	(1.2)	1.3
At 31 December 2022	(12.2)	2.3	9.0	(0.9)

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

24. Equity

	2022	2021
	£m	£m
<i>Allotted, called up and fully paid</i>		
216,920,000 Ordinary shares of £1 each	216.9	216.9
219,960,258 Preferred shares of £1 each	220.0	220.0
	436.9	436.9

In 2021 an additional £22m of preference shares were issued by OCS UK&I Group Holdings Limited (formerly Atalian Servest Group Holdings Limited) following the capitalisation of a £22m debt that was payable to its shareholders.

Accumulated profit and loss

Accumulated profit and loss account represent cumulative profits or losses, net of dividends paid (2022: £10.9m, 2021: £11.6m) and other adjustments

Preference shares

Preference shares represents the non-redeemable preferred shares held by the Company's holding company, Atalian Europe S.A. which were issued in consideration of the discharge and settlement of £220.0m of the debt owed by the Company.

Share capital

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

25. Cash and cash equivalents

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

	2022	2021
	£m	£m
Group		
Cash in hand	0.3	0.4
Balances with banks	15.9	10.5
Cash and cash equivalents	16.2	10.9

Significant non-cash transactions

During the year the Group acquired property, plant and equipment with a total cost of £25.5m (2021: £15.8m) of which £13.4m (2021: £7.1m) were acquired by means of leases. Leases and hire purchase are secured on the assets to which they relate.

	2022	2021
	£m	£m
Company		
Balances with banks	-	(0.4)
Cash and (overdraft) balance	-	(0.4)

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

26. Contingent liabilities

As disclosed in note 16, the Company's subsidiaries have taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £214,179,000 (2021: £204,656,000).

27. Retirement benefit obligations

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

Defined contribution scheme

	2022	2021
	£m	£m
Amount recognised as an expense	8.1	5.9

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. Employees not participating in a defined benefit scheme are eligible to join a defined contribution 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 2021.

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's 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.

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 2022

The Group expects to pay £0.3m in contributions to its defined benefit plan in 2023. The approximate overall duration of the scheme defined benefit obligations at 31 December 2022 is 15 to 20 years.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Retirement benefit obligations (continued)

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

	2022 £m	2021 £m
Statement of financial position obligations		
- Fair value of assets at end of period	2.1	2.9
- Present value of obligations at end of period	(1.7)	(2.4)
- Asset ceiling not recognised	(0.4)	(0.5)
- Asset/(liability) at 31 December	-	-
Defined pension benefits		
- Related deferred tax asset	-	-
Liability in the statement of financial position	-	-
Statement of profit or loss charge included in operating profit		
- For defined pension benefits	0.2	0.2
	0.2	0.2

	Defined benefit obligation		Fair value of plan assets		Net defined benefit/asset	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At beginning of period	(2.4)	(2.0)	2.9	2.9	0.5	0.9
<i>Service cost and interest</i>						
Current service cost	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Interest expense on defined benefit obligation	-	-	(1.1)	(0.2)	(1.1)	(0.2)
Total defined benefit expense recognised in profit or loss	(0.2)	(0.2)	(1.1)	(0.2)	(1.3)	(0.4)
<i>Remeasurement loss</i>						
Actuarial loss/(gain) from:						
- Financial assumptions	0.9	0.1	-	-	0.9	0.1
- Adjustments (experience)	-	(0.2)	-	-	-	(0.2)
	0.9	(0.1)	-	-	0.9	(0.1)
Total defined benefit loss	0.7	(0.3)	(1.1)	(0.2)	(0.4)	(0.5)
<i>Cashflows</i>						
Employer contributions	-	-	0.3	0.2	0.3	0.2
Benefits paid	-	(0.1)	-	-	-	(0.1)
	-	(0.1)	0.3	0.2	0.3	0.1
At 31 December	(1.7)	(2.4)	2.1	2.9	0.4	0.5

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Retirement benefit obligations (continued)

Actual return on plan assets

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

The fair value of the scheme assets consists of:

	2022	2021
	£m	£m
Equity instruments	0.2	0.3
Property and other assets	1.8	2.6
	2.0	2.9

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

	2022	2021
Discount rate	4.60%	1.80%
Future salary increases	3.00%	3.20%
Future pension increases	3.00%	3.20%
Proportion of employees opting for early retirement	3.00%	3.20%
Retail price index (RPI)	3.00%	3.20%
Longevity at retirement age (current pensioners)		
- Males	26.3	26.3
- Females	29.0	28.9
Longevity at retirement age (future pensioners)		
- Males	27.5	27.5
- Females	30.1	30.1

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	2022 £m
Discount rate	0.5%	0.1
Inflation	0.5%	0.1
Future mortality rates	1 year	-
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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

28. Financial assets and financial liabilities

Classes and fair value of financial instruments

	2022 £m	2021 £m
<i>Financial assets at amortised cost</i>		
Assets as per the statement of financial position		
Trade receivables (note 18)	101.0	91.3
Other receivables (note 19)	17.3	15.6
Other loans and receivables (note 20)	0.2	0.2
Cash and cash equivalents (note 25)	16.2	10.9
Total	134.7	118.0

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

	2022 £m	2021 £m
<i>Financial liabilities at amortised cost</i>		
Liabilities as per the statement of financial position		
Trade payables (note 21)	38.5	31.6
Other payables (note 21)	5.0	7.0
Accruals (note 21)	37.4	32.0
Current borrowings (note 22)	41.3	39.6
Non-current borrowings (note 22)	173.0	142.7
Lease liabilities (note 15)	18.0	14.1
Total	313.2	267.0

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

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

Within the shareholders agreement for the investment in Bottega Investco S.À R.L., there is a put right that entitles the Company the right to obligate the majority shareholder, Digital Portfolio Holdings LLC, to acquire all shares held by OCS UK&I Group Holdings Limited (formerly Atalian Servest Group Holdings Limited), a subsidiary company, for fair value. The put right is exercisable from the sixth anniversary of the agreement and continues indefinitely. There is a corresponding call right commencing from the sixth anniversary and obligates the Company to sell their shareholding to Digital Portfolio Holdings LLC. As at 31 December 2022, no value has been attributed to this derivative based on the investment value being materially comparable to the year end fair value of the investment of which the value of the derivative would be based.

The group has no other financial instruments measured at fair value.

Financial risk management

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Financial assets and financial liabilities (*continued*)

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 £9.2m (2021: £10.4m) with Lloyds Bank plc and funds of £6.7m (2021: Nil) with Barclays Bank Plc.

The Group's maximum exposure to credit risk is:

	2022	2021
	£m	£m
Financial assets		
Trade receivables (note 18)	101.0	91.3
Other receivables (note 19)	17.3	15.6
Other loans and receivables (note 20)	0.2	0.2
Cash and cash equivalents (note 25)	16.2	10.9

An analysis of trade receivables:

2022	Carrying amount	Neither impaired nor past due	Past due but not impaired	
	£m	£m	61-90 days	More than 90 days
	£m	£m	£m	£m
Trade receivables	101.0	92.1	4.5	4.4

2021	Carrying amount	Neither impaired nor past due	Past due but not impaired	
	£m	£m	61-90 days	More than 90 days
	£m	£m	£m	£m
Trade receivables	91.3	82.4	1.6	7.3

The Group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 44 days (2021: 47 days). The Group made a loss allowance against trade receivables using the ECL method of £6.5m (2021: £3.1m). The movement in the loss allowance is included in administrative expenses in the income statement.

Market risk

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

Financial assets and financial liabilities (continued)

Interest rate risk

Interest rate exposure and sensitivity analysis

2022	Carrying amount	Average interest rate	If interest rates were 1% higher		If interest rates were 1% lower	
			Pre-tax profit	Equity	Pre-tax profit	Equity
	£m	%	£m	£m	£m	£m
<i>Financial assets</i>						
Cash and cash equivalents (note 25)	15.9	-	0.2	0.2	(0.2)	(0.2)
<i>Financial liabilities</i>						
Lease liabilities (note 15)	18.0	8.5	(0.2)	(0.2)	0.2	0.2
Borrowings - non-current (note 22)	173.0	6.0	(1.7)	(1.3)	1.7	1.3
			(1.7)	(1.3)	1.7	1.3
<hr/>						
2021	Carrying amount	Average interest rate	If interest rates were 1% higher		If interest rates were 1% lower	
			Pre-tax profit	Equity	Pre-tax profit	Equity
	£m	%	£m	£m	£m	£m
<i>Financial assets</i>						
Cash and cash equivalents (note 25)	10.5	-	0.1	0.1	(0.1)	(0.1)
<i>Financial liabilities</i>						
Lease liabilities (note 15)	14.1	7.1	(0.1)	(0.1)	0.1	0.1
Borrowings - non-current (note 22)	142.7	6.0	(1.4)	(1.4)	1.4	1.4
			(1.4)	(1.4)	1.4	1.4

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

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

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

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

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 support available from 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 of £16.2m at 31 December 2022 (2021: £10.9m). The average creditor payment period is 19 days (2021: 19 days).

Contractual maturity analysis for financial liabilities:

2022	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
<i>Financial liabilities</i>	£m	£m	£m	£m	£m	£m
Trade and other payables (note 21)	73.5	9.9	1.8	-	-	85.2
Working capital facility (note 22)	-	-	41.3	-	-	41.3
Shareholder loan (note 22)	-	-	-	173.0	-	173.0
Lease liabilities (note 15)	-	-	6.9	11.1	-	18.0
	73.5	9.9	50.0	184.1	-	317.5

2021	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
<i>Financial liabilities</i>	£m	£m	£m	£m	£m	£m
Trade and other payables (note 21)	56.3	10.7	5.7	-	-	72.7
Working capital facility (note 22)	-	-	39.6	-	-	39.6
Shareholder loan (note 22)	-	-	-	142.7	-	142.7
Lease liabilities (note 15)	-	-	5.9	8.2	-	14.1
	56.3	10.7	51.2	150.9	-	259.1

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

29. Related party transactions

2022	Net loan note and other interest (note 9) £m	Amounts owed by related party (notes 19 & 21) £m	Amounts owed to related party (note 22) £m
<i>The parent</i>			
La Financière Atalian S.A.S	(9.8)*	5.4	(173.0)*
<i>Subsidiaries</i>			
OCS UK&I Group Holdings Limited (formerly Atalian Servest Group Holdings Limited)	20.5^	355.1	-
2021	Net loan note and other interest (note 9) £m	Amounts owed by related party (notes 19 & 21) £m	Amounts owed to related party (note 22) £m
<i>The parent</i>			
La Financière Atalian S.A.S	(10.3)*	6.3	(142.7)*
<i>Subsidiaries</i>			
OCS UK&I Group Holdings Limited (formerly Atalian Servest Group Holdings Limited)	20.0^	330.1	-

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

^ Where indicated above, these amounts are related party transactions at company level only.

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

The costs associated with the key management personnel remuneration during the year was £3.4m (2021: £1.9m).

Balances outstanding at the end of the year for the Company with other group undertakings are shown in note 21.

Atalian Servest Holdings Limited

Notes to the Financial Statements

For the year ended 31 December 2022

30. Capital management

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

- The Group treasury function maintains a rolling 3-month cashflow forecasts which are circulated to the senior board on a regular basis.
- The Group and the divisions within the Group prepare detailed profit, balance sheet and cashflow forecasts to December 2022 which shows that the Group will remain profitable, cash generative and will have the available resources to pay its liabilities as they fall due.
- The Group maintains a detailed 5-year funding model which tracks cash generation, headroom, covenant compliance and other key measures.
- Cash is tightly monitored by the Group to ensure that current liabilities can be met as and when they fall due.

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

31. Ultimate parent undertaking and controlling party

This is the smallest group for which consolidated statements are prepared. The immediate parent company is Atalian Europe S.A. The ultimate parent company and the head of the largest group for which consolidated financial statements are drawn up is La Financière Atalian S.A.S, a company incorporated in France. Consolidated financial statements are available from 111- 113 Quai Jules Guesde, 94400 Vitry-sur-Sein, France. In the opinion of the Directors, Mr. F.J. Julien is the ultimate controlling party however please refer to note 31 for changes in the controlling party post period end.

32. Post balance sheet events

On 28th February 2023 (post period end) the Company was acquired by OCS Group Investments Limited (formerly CD&R Madison UK Bidco Ltd), an entity formed by Clayton Dubilier & Rice LLP in its capacity as advisor to Clayton Dubilier & Rice LLC as CD&R Fund XI ("CD&R"). This sale formed part of a wider transaction that saw the Atalian Group divest of its operations in the UK, Republic of Ireland and Asia together with the Aklrion trading group (together the "Divested Business") to CD&R. Shortly before completing the purchase of the Divested Business CD&R also acquired the entire issued share capital of OCS Group International Ltd, the head company of another facilities management trading group (the "OCS Group") operating predominantly in the UK, the Republic of Ireland and Asia Pacific. Management will be planning for and executing the integration of the Divested Business with the OCS Group during 2023 and beyond in a move that will create one of the world's largest international facilities services providers. Trading primarily under the OCS brand going forward, the new combined and integrated group will have a turnover in excess of £2bn, employing circa 121,000 colleagues worldwide and operating in 25 countries. The implications of the re-branding have been assessed by management and whilst do not have a material impact have been reflected on the results in the 2023 financial statements.

The acquisition triggered a change in the funding mechanism for the UK and Ireland group. The previous loan facility in place with La Financière Atalian S.A.S has been settled in full and replaced with a loan of £183.6m which covenant free and not re-payable prior to August 2024. In addition the preference shares held by La Financière Atalian S.A.S have been acquired by OCS Group Investments Limited (formerly CD&R Madison UK Bidco Ltd) under the existing terms.