April 25, 2018

CERTAIN DEFINITIONS

As used in this document, unless indicated otherwise, the terms "Company," "we," "us," and "our" refer to La Financière ATALIAN S.A.S. Unless indicated otherwise in this document or the context requires otherwise, the following terms have the following meanings assigned to them.

"Acquisition"	The proposed acquisition by Atalian Global Services UK 2 Limited of the entire issued share capital of Servest Limited.
"AHDS"................................	Atalian Holding Development and Strategy S.A., a *société anonyme* incorporated under the laws of the Grand Duchy of Luxembourg.
"Atalian Europe".................	Atalian Europe S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 132, rue de Dippach, L-8005 Bertrange and registered with the Luxembourg Trade and Companies Register under number B138311.
"Atalian Group"..................	The Company and its consolidated subsidiaries.
"Atalian UK"	Atalian Global Services UK 2 Limited, a private limited company incorporated under the laws of England and Wales.
"Cash Equity Contribution"	An equity contribution expected to be made by GSH Investments 4 Limited and senior management of Servest UK to the Company in cash after the Completion Date in an expected aggregate amount of €20.0 million.
"CICE".................................	Competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) referred to in Article 244 *quater* C of the French Tax Code (*Code général des impôts*).
"Company"	La Financière ATALIAN S.A.S., a *société par actions simplifiée* organized under the laws of the Republic of France.
"Completion Date"...............	The date on which the Acquisition is consummated.
"Equity Contribution".........	The Cash Equity Contribution and the Loan Notes Equity Contribution, collectively.
"EU"	The European Union.
"euro," "€" or "EUR"..........	The lawful currency of the member states participating in the third stage of the Economic and Monetary Union under the Treaty Establishing the European Community, as amended from time to time.
"Existing Revolving Credit Facility"............................	The revolving credit facility providing for borrowings in an amount of up to €18.0 million, made available pursuant to the Existing Revolving Credit Facility Agreement.
"Existing Revolving Credit Facility Agreement"	The revolving credit facility agreement entered into on April 24, 2017, among Atalian S.A.S.U., as borrower, the lenders from time to time party thereto, and BNP Paribas, as agent, as amended, supplemented, varied, novated, extended or replaced from time to time.
"Factoring Facilities"..........	The factoring facilities collectively available pursuant to the Factoring Facility Agreements.
"Factoring Facility Agreements"	The factoring facility agreements entered into on April 3, 2012, January 3, 2013, April 28, 2014, October 14, 2014, May 31, 2016 and March 22, 2018 among various affiliates of the Company and Eurofactor S.A., (now known as Crédit Agricole Leasing & Factoring), each as amended, supplemented, varied, novated, extended or replaced from time to time.
"fiscal year 2017/16"	The Company's fiscal period ended December 31, 2017, comprising a 16-month period or, in the case of Servest UK, its fiscal year ended September 30, 2017.
"fiscal year 2016/15"	The Company's fiscal year ended August 31, 2016 or, in the case of Servest UK, its fiscal year ended September 30, 2016.
"fiscal year 2015/14"	The Company's fiscal year ended August 31, 2015 or, in the case of Servest UK, its fiscal year ended September 30, 2015.
"FTE employees".................	The average number of full-time equivalent employees during a period calculated based on the number of full-time equivalent employees on the last day of each month during the relevant period and including full-time equivalent employees of the entities that we acquire during the period for the months following their acquisition.
"Getronics"	Bottega Investco S.à. r.l., a multi-national provider of technology services.
"IFRS"..................................	International Financial Reporting Standards, as adopted by the European Union.
"Loan Notes Equity Contribution"	An equity contribution expected to be made by certain SGHL Sellers by way of loan Notes expected to be converted into newly issued shares in the Company after the Completion Date in an expected aggregate amount of € 17.0 million.

"New Revolving Credit Facility"	The revolving credit facility providing for borrowings in an amount of up to €75.0 million, made available pursuant to the New Revolving Credit Facility Agreement (as further described under the heading *"Description of Certain Other Indebtedness—New Revolving Credit Facility Agreement"*).
"New Revolving Credit Facility Agreement"	The revolving credit facility agreement entered into on April 22, 2018, among Atalian S.A.S.U., as borrower, the Company, as guarantor, the lenders from time to time party thereto, and BNP Paribas, as agent and security agent, as amended, supplemented, varied, novated, extended or replaced from time to time (as further described under the heading *"Description of Certain Other Indebtedness—New Revolving Credit Facility Agreement"*).
"pound sterling," "£" or "GBP"	The pound sterling, the lawful currency of the United Kingdom.
"Share Purchase Agreement"	The share purchase agreement dated as of April 6, 2017, relating to the sale and purchase of their shares in Servest Limited by the sellers named therein as the sellers and Atalian UK as the purchaser (including the annexes and schedules thereto).
"Servest Limited"	Servest Limited, a private limited company incorporated under the laws of England.
"Servest UK"	Servest Limited and its consolidated subsidiaries.
"UK" or "United Kingdom"	The United Kingdom of Great Britain, Northern Ireland, Guernsey, Jersey and the Isle of Man.
"United States" or "U.S."	The United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
"U.S. dollars," "dollars," "U.S.$" or "$"	The lawful currency of the United States.
"U.S. GAAS"	The standards of the Public Company Accounting Oversight Board (United States) or auditing standards generally accepted in the United States of America in effect on the date of this document.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical financial information of the Atalian Group

La Financière ATALIAN S.A.S., a *société par actions simplifiée* organized under the laws of the Republic of France, which indirectly or directly owns all of the Atalian Group operating subsidiaries, is the parent company of the Atalian Group. This document includes financial information derived from a free English translation of:

- the audited consolidated financial statements of the Atalian Group as of and for the fiscal year ended August 31, 2015 (the "Atalian Group 2015/14 Audited Consolidated Financial Statements"), as of and for the fiscal year ended August 31, 2016 (the "Atalian Group 2016/15 Audited Consolidated Financial Statements"), and as of and for the 16-month period ended December 31, 2017 (including the consolidated income statement information and consolidated cash flow information for the twelve months ended December 31, 2017 included in note 2.3 of the notes thereto) (the "Atalian Group 2017/16 Audited Consolidated Financial Statements" and, together with the Atalian Group 2016/15 Audited Consolidated Financial Statements and the Atalian Group 2015/14 Audited Consolidated Financial Statements, the "Atalian Group Audited Consolidated Financial Statements"); and

- the unaudited interim condensed consolidated financial statements of the Atalian Group as of and for the four months ended December 31, 2016 (the "Atalian Group 2016 Unaudited Interim Condensed Consolidated Financial Statements"), with corresponding income statement and cash flow data for the four months ended December 31, 2015, together with the related condensed notes thereto (the "Atalian Group Unaudited Interim Condensed Consolidated Financial Information").

On October 26, 2016, we decided to change our year-end closing date from August 31 to December 31, starting September 1, 2016, to facilitate the integration of acquired entities. As a result, the financial year ended December 31, 2017 comprises a 16-month period, which is not directly comparable to our previous fiscal year ended August 31, 2016, included as the comparative period thereto in the Atalian Group 2017/16 Audited Consolidated Financial Statements.

References in this document to financial periods relating to calendar years "2017" and "2016" refer to the twelve months ended December 31, 2017 and December 31, 2016, respectively.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

The Atalian Group Audited Consolidated Financial Statements and the Atalian Group Unaudited Interim Condensed Consolidated Financial Statements (collectively, the "Atalian Group Consolidated Financial Statements") were prepared in accordance with IFRS.

Restatements of the Atalian Group Audited Consolidated Financial Statements

The statements of financial position for fiscal year 2015/14 and fiscal year 2016/15 were restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Information, in connection with the reinvoicing of expenses outside the Atalian Group. The nature and the impact of these corrections is explained in note 2.4 of the notes to the Atalian Group Unaudited Interim Condensed Consolidated Financial Statements. The correction of these errors resulted in an increase of € 1.2 million in total equity and a corresponding €1.2 million increase in trade receivables in fiscal year 2015/14 and an increase of € 1.7 million in total equity and a corresponding €1.7 million increase in trade receivables in fiscal year 2016/15.

The statement of financial position for fiscal year 2016/15 was further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements. The correction of these errors resulted in a decrease of €1.7 million in total equity and a corresponding increase of €1.7 million in trade receivables, an increase of €2.2 million in trade payables, an increase of €1.2 million in other current liabilities, an increase in revenue of €0.5 million and an increase in external charges of €2.2 million in fiscal year 2016/15.

Our restated Audited Consolidated Financial Statements set forth in this document differ from our historical Audited Consolidated Financial Statements set forth in this document.

Historical financial information of Servest UK

Servest Limited is a private limited liability company organized under the laws of England and Wales. Servest Limited has a 73.64% interest in Servest Group Holdings Limited, which directly or indirectly owns all of the Servest UK group operating subsidiaries. Copies of the full annual reports for Servest Limited can be accessed directly from Companies House in the United Kingdom.

This document includes financial information derived from:

- the audited consolidated financial statements of Servest UK as of and for the fiscal year ended September 30, 2015 (the "Servest UK 2015/14 Audited Consolidated Financial Statements"), as of and for the fiscal year ended September 30, 2016 (the "Servest UK 2016/15 Audited Consolidated Financial Statements"), and as of and for the fiscal year ended September 30, 2017 (the "Servest UK 2017/16 Audited Consolidated Financial Statements" and, together with the Servest UK 2016/15 Audited Consolidated Financial Statements and the Servest UK 2015/14 Audited Consolidated Financial Statements, the "Servest UK Audited Consolidated Financial Statements"); and

- the unaudited interim condensed consolidated financial statements of Servest UK as of and for the three months ended December 31, 2017 and 2016 (the "Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements"), together with the related condensed notes thereto (the "Servest UK Unaudited Interim Condensed Consolidated Financial Statements").

The Servest UK Audited Consolidated Financial Statements were prepared in accordance with IFRS and audited by Servest UK's independent auditors, BDO LLP. The Servest UK Unaudited Interim Condensed Consolidated Financial Statements was prepared in accordance with IAS 34 interim financial reporting as adopted by the European Union. The Servest UK Audited Consolidated Financial Statements and the Servest UK Unaudited Interim Condensed Consolidated Financial Statements (collectively, the "Servest UK Consolidated Financial Statements") are presented in pound sterling.

Unaudited Pro Forma Combined Financial Information

- Unaudited Pro Forma Combined Financial Information Related to the Acquisition

In this document, we present unaudited pro forma combined financial information as of and for the twelve months ended December 31, 2017 (the "Pro Forma Financial Information Related to the Acquisition"), as more fully described in "*Unaudited Pro Forma Combined Financial Information*." The Pro Forma Financial Information is presented to illustrate the effect of the Acquisition and related financings on the Atalian Group's consolidated income statement as if they occurred on January 1, 2017 and on the Atalian Group's consolidated statement of financial position as if they occurred on December 31, 2017. The historical financial information used to prepare the Pro Forma Financial Information Related to the Acquisition is derived from:

- the Atalian Group 2017/16 Audited Consolidated Financial Statements;

- the Atalian Group 2016 Unaudited Interim Condensed Consolidated Financial Statements;

- the Servest UK 2017/16 Audited Consolidated Financial Statements; and

- the Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements.

The Pro Forma Financial Information related to the Acquisition set forth in this document is based upon available information and certain assumptions that we believe to be reasonable. The Pro Forma Financial Information has not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act, or the EU Prospectus Directive. Neither the adjustments nor the related pro forma financial information Related to the Acquisition has been audited in accordance with U.S. GAAS or any other applicable auditing standards. The Pro Forma Financial Information Related to the Acquisition has been prepared for informational purposes only, should not be considered indicative of actual results that would have been achieved had the Acquisition and related financings actually occurred on January 1, 2017, and does not purport to predict our results of operations for any future periods.

- Unaudited Pro Forma Condensed Financial Information related to the Other Acquisitions

In this document, we also present certain unaudited pro forma condensed financial information for the twelve months ended December 31, 2017 (the "Pro Forma Condensed Table for Revenue and EBITDA"), as more fully described in "*Unaudited Adjusted Pro Forma Combined Financial Information*." This Pro Forma Condensed Financial Information has been prepared by using (i) the Atalian Group 2017/16 Audited Consolidated Financial Statements, prepared in accordance with IFRS, (ii) the Atalian Group 2016 Unaudited Interim Condensed Consolidated Financial Statements, (iii) the Servest UK Audited Consolidated Financial Statements, and (iv) the Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements; and adjusting such data to give effect to:

- the Atalian Group acquisitions of companies for which the financial results were partially consolidated with the financial results of the Atalian Group during the period from January 1, 2017 through December 31, 2017 as if the financial results of these acquired companies had been consolidated with the financial results of the Atalian Group from January 1, 2017;

- the Atalian Group acquisitions of companies that have been completed, or companies for which we have entered into an agreement to acquire, on or after January 1, 2018 as if these companies had been acquired and their financial results had been consolidated with the financial results of the Atalian Group from January 1, 2017;

- Servest UK acquisitions of companies that have been completed, or companies for which Servest UK has entered into an agreement to acquire, on or after January 1, 2018 as if these companies had been acquired and their financial results had been consolidated with the financial results of the Atalian Group from January 1, 2017;

- certain adjustments with regard to the alignment of the acquired companies historical financial information to the accounting policies of the Atalian Group, mainly with respect to the uniform costs and CVAE which have an impact on our EBITDA;

- certain adjustments relating to restructuring and operational cost savings with respect to companies that Servest UK acquired after January 1, 2018, but the financial results of which were fully consolidated with the financial results of Servest UK as of January 1, 2017; and

- certain adjustments relating to restructuring and operational cost savings with respect to companies that the Atalian Group acquired after January 1, 2018, but the financial results of which were fully consolidated with the financial results of the Atalian Group as of January 1, 2017.

The Pro Forma Condensed Table for Revenue and EBITDA set forth in this document is based upon available information and certain assumptions that we believe to be reasonable. The Pro Forma Condensed Table for Revenue and EBITDA has been prepared for informational purposes only, should not be considered indicative of actual results that would have been achieved had the Atalian Group acquisitions and the Servest UK acquisitions been completed, as the case may be, on the dates indicated and does not purport to predict our results of operations for any future periods.

Other Financial Measures

The Atalian Group and Servest UK use certain financial measures in this document that are not measures of financial condition, liquidity or profitability under IFRS, including Adjusted EBITDA, non-underlying administrative costs, non-underlying finance costs and net debt. The non-IFRS financial measures presented herein are not specifically prescribed line items under IFRS and should not be considered as alternatives to the profit for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. We believe that the inclusion of these non-IFRS financial measures is useful because it provides the same information that the Atalian Group and Servest UK use internally for purposes of assessing their respective operating performance and because we believe that they and similar measures are widely used as supplemental measures of performance and liquidity. These non-IFRS financial measures have important limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of the Atalian Group's or Servest UK's results of operations. Because not all companies define these non-IFRS financial measures in the same way, the manner in which the Atalian Group and Servest UK's management have chosen to define the non-IFRS financial measures presented herein may not be comparable to the similarly titled measures of other companies.

The calculations for the non-IFRS financial measures are based on various assumptions. These amounts have not been, and, in certain cases cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented.

The Atalian Group

The Atalian Group presents EBITDA, which the Atalian Group defines as operating profit, as reported in the Atalian Group Consolidated Financial Statements, adjusted to exclude the following line items, each of which as reported in the Atalian Group's Consolidated Financial Statements: depreciation and amortization, net and provisions and impairment losses, net. EBITDA corresponds to the line item "Recurring operating profit before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2015/14 Audited Consolidated Financial Statements and to the line item "Operating income before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2016/15 Audited Consolidated Financial Statements and the Atalian Group 2017/16 Audited Consolidated Financial Statements. For consistency, the Atalian Group refers to this item as EBITDA throughout this document (excluding the Atalian Group's Consolidated Financial Statements). EBITDA excludes from the consolidated and segment results the impact of intercompany charges for management fees. Management fees of €36.6 million, €40.6 million and € 45.4 million were invoiced by our holding companies to our operating companies in fiscal year 2015/14, fiscal year 2016/15 and 2017, respectively.

Servest UK

Servest UK's management uses Adjusted EBITDA to analyze its results of operations. Servest UK defines Adjusted EBITDA as operating profit/(loss) plus depreciation and amortization expenses and excluding certain non-underlying administrative costs.

Non-underlying administrative costs include acquisition costs, redundancy and other costs, goodwill and intangible asset impairment charge and change in fair value of contingent consideration in the income statement which, in the judgement of Servest UK's management, need to be disclosed separately by virtue of their nature, size and incidence in order to obtain a proper understanding of the financial information and the underlying performance of the business. Non-underlying finance costs include forward contract expenses and amortized debt costs in the income statement which, in the judgement of Servest UK's management, need to be disclosed separately by virtue of their nature, size and incidence in order to obtain a proper understanding of the financial information and the underlying performance of the business. For additional detail on non-underlying administrative costs in the periods presented, please refer to note 8 to the Servest UK 2017/16 Audited Consolidated Financial Statements, note 7 to the Servest UK 2016/15 Audited Consolidated Financial Statements, note 8 to the Servest UK 2015/14 Audited Consolidated Financial Statements, and note 5 to the Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements.

Adjusted EBITDA as defined by the management of Servest UK is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit or loss for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. Servest UK believes that the inclusion of Adjusted EBITDA in this document is useful to investors because it provides investors the same information that Servest UK uses internally for purposes of assessing its operating performance and because we believe that they and similar measures are widely used by certain investors as supplemental measures of performance and liquidity. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Servest UK's results of operations. Because not all companies calculate Adjusted EBITDA identically, this presentation of Adjusted EBITDA may not be comparable to the similarly titled measure of other companies.

Servest UK manages its business on a service division basis, with four principal divisions: Cleaning, Building Services, Catering and Security. In addition, Servest UK has two other operating divisions, Pest Control and Compliance, which are less significant in terms of revenue and Adjusted EBITDA.

Adjusted EBITDA as defined by the management of Servest UK is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit or loss for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. Servest UK believes that the inclusion of Adjusted EBITDA in this document is useful to investors because it provides investors the same information that Servest UK uses internally for purposes of assessing its operating performance and because these and similar measures are widely used by certain investors as supplemental measures of performance and liquidity. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Servest UK's results of operations. Because not all companies calculate Adjusted EBITDA identically, this presentation of Adjusted EBITDA may not be comparable to the similarly titled measure of other companies.

The discussion below also includes references to the Adjusted EBITDA and Adjusted EBITDA margin of each of Servest UK's operating divisions. In calculating divisional Adjusted EBITDA and Adjusted EBITDA margin, most of Servest UK's administrative expenses for the period, including most overhead costs that are not directly attributable to the actual delivery of services, are generally treated by Servest UK as having been charged to its operating divisions based on management judgments as to which divisions such costs are best allocated. However, a small portion of aggregate overhead costs (amounting to residual income of £0.3 million, residual overhead costs of £0.7 million, residual overhead costs of £0.2 million, residual income of £1.4 million and residual overhead costs of £0.1 million in fiscal years 2017/16, 2016/15 and 2015/14 and the three months ended December 31, 2017 and 2016, respectively) were viewed by Servest UK management as not being allocable to any particular operating division. These residual overhead costs remain in the non-operating Corporate division but have historically been reflected by Servest UK in its divisional breakdown of Adjusted EBITDA and Adjusted EBITDA margin by presenting Adjusted EBITDA and Adjusted EBITDA margin for the "Cleaning and Corporate" divisions in aggregate. As a result, Adjusted EBITDA and Adjusted EBITDA margin of the "Cleaning and Corporate" divisions in aggregate will reflect certain residual overhead costs (or, in certain periods, residual income) that are not allocable to the Cleaning division. Accordingly, Adjusted EBITDA and Adjusted EBITDA margin of the "Cleaning and Corporate" divisions in aggregate will, depending on the period, tend to be somewhat lower or higher than they might have been for the Cleaning division had the Adjusted EBITDA and Adjusted EBITDA margin for the Cleaning division been presented in isolation or had these residual overhead costs (or residual overhead income) been allocated in a different manner, and movements in Adjusted EBITDA and Adjusted EBITDA margin for the "Cleaning or Corporate" divisions may, in addition to operational factors attributable to the Cleaning division's underlying performance, also be impacted by movements in these residual overhead costs. Because the amount of residual overhead costs in the Corporate division represents only a small portion of aggregate overhead costs and primarily reflects management determinations as to whether particular overhead costs are appropriately chargeable to operating divisions, which will vary from period to period based, among other things, on the nature of the costs in those periods, movements in the amount of residual overhead costs from period to period should not be viewed as indicative of the effectiveness of efforts by management during such periods to manage aggregate overhead costs or administrative expenses more generally. The amount of residual overhead costs in each period has been separately quantified above and in discussions of divisional Adjusted EBITDA and Adjusted EBITDA margin below solely to improve comparability from period to period as to the costs allocated to the Corporate division that have not been allocated to the Cleaning division.

Trademarks and trade names

We own and have rights to certain trademarks, brands and trade names that we use in conjunction with the operation of our businesses. Each trademark, brand, trade name or copyrights of any other company appearing in this document belong to its holder. Servest UK owns and has the right to use the trade names Servest, Groundhouse, Batch Blend 24, Llewellyn Smith, Catering Academy and Angel Hill Food Co, among others. Solely for convenience, the trademarks, brands, trade names and copyrights referred to in this document are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

RISK FACTORS

The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently known, or that we currently believe are immaterial, could also impair our business operations or financial condition. If any of the following risks materializes or similar risks currently deemed not to be significant become significant, our business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, risks not deemed to be individually significant could, collectively, adversely affect us. The sequence in which the risk factors are presented below is not indicative of their importance, their likelihood of occurrence or the scope of their financial consequences.

References in this section to the "Atalian Group," "we," "us," "our" and similar terms refer to the Company and its subsidiaries, including, unless the context requires otherwise, upon completion of the Acquisition, Servest Limited and its subsidiaries.

Any deterioration in global and regional economic conditions, political developments, as well as other factors beyond our control, may negatively impact our businesses.

We are susceptible to economic recessions or downturns, and macroeconomic cyclicality accordingly presents a challenge for us. The growth in demand for our services generally correlates with economic conditions, including growth in the gross domestic product in France (which is and following the Acquisition is expected to remain our principal geographic market by revenue) and the other countries in which we operate. For example, amidst a weak economic environment, our customers may seek to downsize their businesses, delay their outsourcing projects, or otherwise reduce their demand for our services, in particular those services that customers perceive as discretionary (including, for example, with respect to hours, types of services, or scope of services). Periods of recession or deflation may also have an adverse impact on prices and payment terms, including in respect of services that customers may perceive as non-discretionary. In addition, at times of economic uncertainty, our public sector customers may face extensive budgetary or political pressures. Outside of France, we have historically been exposed to downturns in the rest of Europe including Russia and Turkey (our European operations generated €505.9 million in revenue, or 59.9% of our International segment revenue, in 2017), the United States (our U.S. operations generated €166.6 million in revenue, or 19.7% of our International segment revenue, in 2017), Southeast Asia (our Southeast Asian operations generated €151.1 million in revenue, or 17.9% of our International segment revenue, in 2017) and North and West Africa (our African operations generated €21.2 million in revenue, or 2.5% of our International segment revenue, in 2017).

Our financial and operating performance has previously been adversely affected by periods of recession and deflation and could be further adversely affected by a worsening of general economic conditions in the markets in which we operate, as well as by international trading market conditions and related factors. For example, following the economic downturn that started in 2008, we faced price pressure in France, particularly in our cleaning business. We have similarly faced price pressure in France in our security business (other than in airport security services) since 2014, as well as increased competition in our multi-technical business since 2016, primarily due to large competitors beginning to compete in the medium-sized customer segment in which we mainly operate. Servest UK has also faced persistent pricing pressures across its business in recent years due to the weak macroeconomic environment in the United Kingdom, particularly in respect of its longer-term contracts with larger customers (which account for a significant portion of the revenue of each of its divisions) who are increasingly motivated to seek cost savings from their external service providers and possess significant bargaining power to negotiate terms favorable to them which could reduce margins. We have recently faced price pressure in certain other European markets, including Poland, the Czech Republic and Belgium. In addition, our customers have reduced the volume of additional services they may order as supplements to and above their existing contracts, as they typically scale back such supplementary services in a difficult economic environment. We may not be able to sustain our current revenue or profit levels if adverse economic events or circumstances occur or continue to occur in the countries in which we operate. In addition, the economies of France and the other countries in which we operate may not experience growth in the future and increase in demand for our services in these markets may not occur.

We may be adversely affected by the current credit environment in Europe. Since 2008, conditions in most Eurozone countries deteriorated amid rising yields on certain sovereign debt instruments issued by certain Eurozone states, ratings downgrades, including in respect of France, and the market perception that the single European currency is facing an institutional crisis of confidence, leading to recession in many European markets, including France. At several points in recent years, these challenging economic conditions have caused greater volatility and, in some cases, reduced liquidity, widening of credit spreads and a lack of price transparency in credit markets. Economic growth and recovery in the European Union remains fragile and at risk from delays in the transmission of lower sovereign spreads and improved bank liquidity to private sector borrowing. In particular, risks of prolonged stagnation in the Eurozone as a whole could rise if the momentum for reforms is not maintained. Although progress in national adjustment and a strengthened EU-wide policy response to the Eurozone crisis have improved financial conditions for EU sovereigns to a certain extent, the near-term outlook for the Eurozone remains uncertain and a resurgence of the sovereign debt crisis in Europe cannot be ruled out. This uncertain credit environment may negatively impact our access to financing or our ability to fund our business in a similar manner and at a similar cost to the funding raised in the past. In addition, if we are only able to obtain financing on less favorable terms, if at all, our operational flexibility may be restricted, and our ability to act timely in acquiring new businesses in new geographic regions may be impaired. Further economic stagnation or economic instability in the Eurozone or the European Union may also impede our strategy to actively expand our geographic reach in the near and medium-term in the United States, Europe, Africa and Asia, which could have a material adverse effect on our business, results of operations and financial condition.

We are also susceptible to political developments. On June 23, 2016, the United Kingdom held a referendum in which a majority of voters elected to leave the European Union ("Brexit"). On March 29, 2017, the United Kingdom notified the European Council in accordance with Article 50 of the Treaty on European Union of the UK's intention to withdraw from the European Union. The notification formally triggered a two-year negotiation process between the United Kingdom and the European Union, including regarding trade, financial and legal arrangements, and puts the United Kingdom on a course to withdraw from the European Union by the end of March 2019. The terms of withdrawal have not yet been established and the United Kingdom will remain a member of the European Union until conclusion of the withdrawal agreement. However, if no agreement is concluded within two years of formal notification of withdrawal, then the United Kingdom will leave the European Union at such time. The nature, timing and economic and political effects of Brexit remain highly uncertain and will depend upon the results of negotiations between the United Kingdom and the European Union. Brexit has led, and may continue to lead, to significant uncertainty, volatility and disruption in European and broader financial and economic markets, including the United Kingdom market, where Servest UK has, in the past, conducted essentially all of its operations, and could lead to significant changes in the currency markets of the countries in which we operate. Servest UK employs non-British citizens. There can be no assurance that we will be able to retain the same or similarly skilled employees that Servest UK currently employs due to the uncertainty surrounding the terms of Brexit. We are exposed to the risk that we may need to hire a substantial number of new staff, so that we can comply with any new labor and immigration laws in the UK as a result of Brexit. which could have a material adverse effect on our credit rating, businesses, results of operations, financial condition and which could also have an impact on our contracts in the public sector.

Accordingly, our ability to maintain our growth domestically and internationally will depend on the ability of the countries in which we operate to recover from the global economic crisis, increases in demand for our services in these markets, favorable general outsourcing trends, further expansion of our business into other foreign markets and political developments.

We may be unable to pursue our international expansion strategy if we are unable to evaluate suitable acquisition candidates or to complete or integrate past or prospective acquisitions (including the Acquisition) successfully or in a timely manner, which could adversely affect our operations and financial condition. As a result, future growth from acquisitions may be more limited than we would expect.

Our business has grown significantly in recent years through strategic acquisitions of companies in new geographical regions. Since 2003, we have acquired 286 entities and in recent years, we have expanded our cleaning and building services operations into the United States, Africa, Southeast Asia and Eastern and Central Europe. Servest UK has also grown significantly through acquisitions in recent years, including the recent acquisitions of Arthur McKay and Catering Academy in October 2016, which significantly expanded Servest UK's presence and service offering in building services and catering. More recently, in February 2018, Servest UK completed the acquisition of 100% of the share capital of the Aktrion Group, and has also recently entered into definitive agreements to acquire Thermotech and Unique, transactions that are expected to close shortly following the Acquisition. Following the Acquisition, we intend to continue to develop and expand our business actively through acquisitions, particularly in the United Kingdom, the United States, Eastern and Central Europe, Southeast Asia and Africa both to reinforce our existing market presence and to enter into new local markets. However, acquisitions, including the Acquisition and the recent acquisitions undertaken and anticipated by Servest UK, in addition to our organic growth, may strain our management and financial resources.

Among the risks associated with acquisitions which could have a material adverse effect on our business, results of operations and financial condition, are the following:

- we may not find suitable acquisition candidates for future acquisitions;
- we may not plan or manage any acquisition effectively;
- the financing of any such acquisition may be unavailable on satisfactory terms or at all;
- we may face competition for acquisitions as the outsourced building services industry undergoes continuing consolidation;

- we may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses, such as costs and issues relating to monitoring, hiring and training of new personnel, or the integration of IT and accounting and internal control systems;

- we may incur costs associated with adapting our services to the requirements of the local market of the acquired business and local business practices, or developing appropriate risk management and internal control structures for operations in a new market, or understanding and complying with a new regulatory scheme;

- we may be subject to new tariffs, taxes and other restrictions and expenses, which could increase the prices of our services and make us less competitive;

- increased investments may be needed in order to understand new markets and follow trends in these markets in order to effectively compete;

- we may have reduced ability to predict our performance in the event we have less experience in the market of the acquired business than in the markets in which we previously operated;

- acquisitions may divert management's attention from the operation of existing businesses;

- acquisitions may lead to a deterioration of our operating cash flows;

- we may not be able to retain key personnel or customer contracts of acquired businesses;

- we may not be able to properly diligence the acquired businesses or vet the management or employees of the acquired business);

- we may encounter unanticipated events, circumstances or legal liabilities related to the acquired businesses; and

- an acquisition may not achieve anticipated synergies or other expected benefits.

In addition, following the integration of an acquired business, such acquired business may not be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. Although we analyze each acquisition target, these assessments are subject to a number of assumptions and estimates concerning markets, profitability, growth, interest rates and company valuations. Our assessments of and assumptions regarding acquisition candidates may not prove to be correct and actual developments may differ significantly from our expectations. Moreover, we may incur write-downs, impairment charges or unforeseen liabilities, or encounter other difficulties in connection with completed acquisitions which could adversely affect our business, results of operations and financial condition. For example, in connection with the acquisitions of VPNM and Eurogem in 2009, we did not accurately assess the cash flow from the acquired businesses, which negatively affected our working capital and resulted in breaches of certain financial covenants under our credit facilities.

We may also have to pay cash, incur further debt, or issue further securities to pay for an acquisition, any of which could adversely affect our results of operations in the future. The incurrence of further indebtedness could result in increased obligations and include covenants or other restrictions that restrict our operational ability, which could also adversely affect our business, results of operations or financial condition.

Furthermore, acquisitions expose us to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired businesses, public authorities or other parties. Such obligations may have a material adverse effect on our business, results of operations or financial condition.

Our international operations may subject us to additional risks.

We operated in 30 countries outside France as of December 31, 2017, primarily in the United States, Europe, Southeast Asia and Africa, and our primary strategy is to reinforce and expand this geographic reach through actively pursuing international acquisition opportunities. Because of the increasingly international scope of our activities, we are subject to a number of risks and challenges, many of which are beyond our control. These include the management of our international operations and the complexities associated with complying with the legislative and regulatory requirements, including tax rules and labor and social security legislation, of many different jurisdictions, or the negative effect of movements in foreign exchange rates in respect of our operations in countries that do not use the euro. For example, where local tax rules are complex or their applicability is uncertain, compliance with such rules may lead to unforeseen tax consequences. In addition, structuring decisions and local legal compliance may be more difficult due to conflicting laws and regulations, including those relating to, among other things:

- employment, social security and collective bargaining;
- immigration;
- health and safety;
- environmental protection;
- public procurement;
- competition; and
- enforcement of legal rights.

We are subject to economic risks and uncertainties in the countries in which we operate. Any slowdown in the development of these economies, any deterioration or disruption of the economic environment in the countries in which we operate or any reduction in government or private sector spending may have a material adverse effect on our business, financial condition and results of operations. Furthermore, certain incidents could lead to international tension, causing boycotts or otherwise restrict our ability to perform our services. This may have a material adverse effect on our business, results of operations and financial condition.

We may also be subject to political and social uncertainties in some of the countries in which we are present or plan to extend our operations. The political reforms necessary to achieve political transformations in certain of these countries may not continue. The political systems in these countries may be vulnerable to the public's dissatisfaction with reforms, social unrest and changes in government policies. Any disruption or volatility in the political or social environment in these countries may have an adverse effect on our business, financial condition and results of operations.

As a result of our international operations, we are subject to risks associated with operating in foreign countries, including:

- greater GDP volatility;
- political, social and economic instability, or corruption;
- informal, unregulated trade;
- inability to collect payments or to seek recourse under, or comply with, ambiguous or vague commercial or other laws;
- difficulty in hiring or retaining staff;
- labor unrest;
- war, civil disturbance or acts of terrorism;
- taking of property by nationalization or expropriation without fair compensation;
- inconsistent regulations and unexpected changes in government policies and regulations;
- devaluations and fluctuations in currency exchange rates;
- imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- increased risks associated with inflation;
- restrictions on currency, income, capital or asset repatriation;

- restrictions imposed by local law on our ability to own or operate subsidiaries, receive dividends from subsidiaries, make investments or acquire new businesses in certain jurisdictions; and

- impositions or increase of investment and other restrictions or requirements by foreign governments.

We delegate considerable autonomy to our subsidiaries and heavily rely on our regional managers to conduct our local operations. Although we have adopted group-wide control procedures, reporting policies and a code of ethics and make regular visits to our individual country operations, we may experience incidents of country or regional managers not complying with our policies, accounting irregularities, unintended accounting misstatements or breaches of local legislation, any of which could, individually or collectively, have a material adverse effect on our business, results of operations and financial condition. Our use of subcontractors in our international operations may also expose us to risks of non-compliance with group-wide reporting policies and our code of ethics.

We also conduct certain of our business operations through associated companies where we only hold 51% of the equity, and we may enter into joint ventures or acquire holdings in associated companies in the future. In recent years, our sole shareholder, Atalian Holding and Development Strategy, has entered into put and call agreements with respect to shares that we did not initially acquire. Our co-shareholders or joint venture partners may (a) have economic or business interests or goals that are inconsistent with ours, (b) take actions contrary to our policies or objectives, (c) experience financial and other difficulties or (d) be unable or unwilling to fulfill their obligations under the acquisition agreement and any related agreements, which may affect our financial condition or results of operations. For certain material decisions, we may therefore not be able to influence decision making or may need to obtain the consent of other shareholders. We often retain the local management teams of entities acquired in foreign jurisdictions, and such local management may also have interests adverse to our own, or impede decision making or the implementation of our strategies. Such limitations could constrain our ability to pursue our corporate and economic objectives in the future and have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in foreign currency exchange rates could have a material adverse effect on our business, results of operations or financial condition.

The international expansion of our operations outside the Eurozone increases our exposure to various currency risks. Accordingly, our results of operations are, and may further be, subject to currency effects, primarily currency translation risk. In 2017, 68% of our revenue was generated in currencies other than the euro, and this proportion is expected to increase further as a result of the Acquisition (since Servest UK's functional and reporting currency is pound sterling). A decline in the value of foreign currencies against the euro can therefore have a negative effect on our revenue and EBITDA as reported in euro. Since our acquisition of Temco in 2016 and our subsequent acquisitions of Aetna, Suburban and Centaur in 2017, we are particularly exposed to fluctuations in the value of the U.S. dollar against the euro and the United States was our largest international market in terms of revenue in 2017. We expect the United Kingdom to become our largest international market in terms of revenue following the completion of the Acquisition, and to therefore be meaningfully exposed to fluctuations in the value of the pound sterling against the euro following the Acquisition (including any volatility resulting from the Brexit process). We are also exposed to currency risk as a result of our operations in Turkey, Malaysia, Indonesia and Poland, as the currencies in these countries have recently tended to decrease in value against the euro. We may also be exposed to currency exchange rate risk in connection with any profits from our international operations that are paid as dividends or otherwise to our holding companies in France. We incur currency transaction risk whenever one of our subsidiaries generates revenue or operating costs in a different currency from the currency in which it operates. Even though our local businesses in our International segment are characterized by relatively low levels of foreign exchange transaction risks, since we generally generate revenue and incur costs in the same currency, fluctuations in foreign exchange rates may still have a material adverse effect on our business, results of operations or financial condition.

We experienced a negative foreign exchange impact of €15.2 million of our International segment revenue due to changes in foreign currency exchange rates in 2017 as compared to 2016, mainly attributable to the depreciation of the Turkish Lira, the U.S. dollar, the Indonesian rupia and the Malaysian Ringgit against the euro. We expect, however, that the fluctuations in our reported results of operations from period to period caused by changes in foreign currency exchange rates will likely become more significant in the future as the proportion of our operations outside the Eurozone, and particularly in the United Kingdom, the United States, Turkey, Malaysia and Indonesia, increases. Fluctuations in foreign currency exchange could have a material adverse effect on our business, results of operations and financial condition.

We remain vulnerable to negative economic developments in France and market perceptions concerning France.

Despite our continuing expansion internationally, the French market represented 59.0% of the Atalian Group revenue in 2017 and is expected to remain our principal geographic market by revenue after the Acquisition. Our business is thus particularly sensitive to developments that materially impact the French economy or otherwise affect our operations in France. For example, following the 2008 economic downturn, we have faced price pressure in France, particularly in our cleaning business. We have also faced price pressure in France in our security business (other than in airport security services) since 2014, as well as increased competition in our multi-technical business since 2016, primarily due to large competitors beginning to compete in the medium-sized customer segment in which we mainly operate. Negative developments in France including with respect to the general business climate may decrease our customers' growth rates, adversely affect our ability to acquire new customers or contracts, result in an increase in the cost of acquiring new customers, or negatively impact our prices. In September 2015, Moody's downgraded France's government bond ratings from Aa1 to Aa2 as a result of the continuing weakness in France's medium-term growth outlook. An extended recession, or public perception that economic conditions are deteriorating, could also substantially decrease the demand for our services and adversely affect our business. We could experience decline in our revenue due to economic slowdown or recession, which could have a material adverse effect on our business, results of operations and financial condition.

Market perceptions concerning the instability of the euro and the potential reintroduction of individual currencies within the Eurozone could have an adverse effect on our business, financial condition and results of operations.

Recent developments in the Eurozone have raised uncertainties regarding the stability and overall standing of the European Monetary Union. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts or fiscal deficits of several countries in Europe (primarily Greece, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures is difficult to predict.

If the Eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations or cease using the euro and reestablish their own national currency, or that the Eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may negatively affect our business, results of operations and financial condition, especially as a large proportion of our operations are in Europe. In addition, the departure of one or more countries from the Eurozone may lead to the imposition of, among other things, exchange rate control laws. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. Any of these developments, or a perception that any of these developments may be likely to occur, could adversely affect the value of the permanent financing, have a material adverse effect on the economic development of the affected countries or lead to economic recession or depression that could jeopardize the stability of financial markets or the overall financial and monetary system. In addition, if any country in which we operate that is currently a member of the Eurozone leaves the European Monetary Union, our costs incurred and revenue generated in that country could be adversely affected when converted into our reporting currency. Moreover, any changes from euro to non-euro currencies within the countries in which we operate would require us to modify our billing and other financial systems. We may not be able to make any such required modifications within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. Any of these developments could, in turn, have a material adverse effect on our business, results of operations and financial condition.

Additionally, the UK's decision to leave the European Union, which was notified to the European Council on March 29, 2017, has renewed concerns regarding the short- and long-term stability of the euro and its ability to serve as a single currency for a number of individual countries. The full or partial dissolution of the euro, the exit of one or more EU member states from the European Union or the full dissolution of the European Union could cause significant volatility and disruption to the global economy, which could lead to volatility in the currency markets and could have a material adverse effect on our business, results of operations and financial condition.

The services that we provide may be exposed to considerable price and margin pressure, and we may be unable to attract new customers and retain existing customers at competitive pricing and margin levels.

We may be forced to decrease prices for our services due to a number of factors, including challenging macroeconomic conditions or increased competition in connection with contractual arrangements providing for periodic renegotiation of pricing terms. We may be unable to compensate for these price decreases by attracting new business, reducing our operating costs (for example, through reductions in headcount, increases in labor productivity or other gains in cost efficiency) or otherwise, which could lead to a decline in our profits. Services such as our cleaning services and our security services (other than airport security services) have been particularly exposed to price pressure in recent years. For example, in January 2017, we renewed several high margin contracts in our cleaning services business at lower rates than those we had previously obtained. Our operations in Eastern and Central Europe are also subject to increasing price pressure as a result of the maturing of the markets for cleaning services. In recent years, we elected not to pursue the renewal of certain low-margin contracts with certain large clients, partially offsetting increases in our revenues in the periods under review. Servest UK has also faced persistent price pressure from customers across its service divisions and also reduced margins on renewals from existing customers. For example, in 2017 Servest UK lost its cleaning services contract with Sainsbury's due to pricing considerations. Continued pressure on the margins achieved in contracts with our larger clients, and the loss of such contracts, may have a material adverse effect on our business and results of operations.

Moreover, since purchases consumed, external charges and personnel costs represented, in the aggregate, 92.4% of our revenue in the twelve months ended December 31, 2017 (and Servest UK's cost of sales and administrative expenses excluding non-underlying items similarly comprised 96.0% of its revenues in the twelve months ended December 31, 2017), the profitability of our contracts will generally depend on our ability to control these costs successfully, and a failure to manage or estimate these costs accurately when pricing our services could result in a decline in profits and profitability. For example, during the first months of execution of a new contract, we may incur start-up costs related to technical equipment and employees' uniforms that often result in operating losses. Generally, there is a progressive reduction in operating losses in each successive month of execution of the contract with the contract typically generating operating profit within six months of the beginning of its term. If we fail to control such start-up costs, or do not accurately estimate the amount of such costs when pricing our services, we may experience significant losses in respect of a contract, which could have a material adverse effect on our businesses, results of operations and financial condition.

Furthermore, bundled contracts are more complex to price due to their scope and complexity as compared to single service contracts, and these complexities may increase to the extent that the contract relates to the performance of newly outsourced services in multiple geographical segments. Any such contracts for newly introduced services will also require us to accurately assess the pricing terms and forecast the operating costs, some of which will be unknown to us at the time of entering into the contract and will require extensive time and resources of our management to predict. In addition, our contracts may include performance-related measures for our services, may limit our ability to adjust fully or on a timely basis our prices as our costs increase or according to an inflation index or other appropriate index, all of which increases the risk associated with our contracts and could adversely impact profitability.

In addition, the impact of laws and regulations, in particular labor and employment laws and regulations, may restrict our ability to achieve cost reductions and other efficiency gains. Price and margin pressures may therefore lead to a reduction in average prices and margins for our services, which could also have a material adverse effect on our business, results of operations and financial condition.

We face intense competition from a variety of competitors and an inability to compete successfully with our competitors could result in a loss in market share, decreased revenue or decreased profitability.

Our business is highly competitive. Our competitors include large multinational companies, such as ISS, Securitas and Sodexo for the Atalian Group, and following the Acquisition, will include Mitie, Interserve and Norland, for Servest UK's business in the United Kingdom. These competitors may have greater resources than us, a broader presence in the market, or a wider geographical scope and therefore a higher capacity to compete for tenders across multiple countries. With respect to less technically complex services with low barriers to entry, such as traditional cleaning services, we also face competition from smaller competitors operating at local levels, many of whom have a strong local market presence and local customer relationships. In addition to competition from other providers of outsourced building services, we also face competition from in-house providers.

In addition, the outsourced cleaning and security services markets remain highly fragmented despite some degree of consolidation. Over time, our competitors, whether global, national, regional or local, could consolidate their businesses, and the diversified service offerings or increased synergies of these consolidated businesses could increase competition in the cleaning and security sectors. These or other changes to the competitive landscape of our industry could result in a loss of market share, decreased revenue or a decline in profitability, and could thus have a material adverse effect on our business, results of operations, financial condition or prospects.

Accordingly, because of this intense competition, we must make constant efforts to remain competitive and convince potential customers of the quality and cost value of our service offerings. We compete with other industry participants on a variety of factors, including the depth and breadth of our services, our technical expertise and price. Our customers are increasingly focused on their costs for maintenance and operation of their facilities. Pricing is also an important factor for securing renewal of contracts, particularly multi-year contracts. We also need to continue to develop new services or enter new geographic markets in order to maintain or increase our competitive position or achieve our strategic goals. If our customers do not perceive the quality and cost value of our services, or there is not sufficient demand for our new services, our business, results of operations and financial condition could be materially adversely affected.

Our businesses are subject to various laws and regulations, including in relation to labor and employment, and changes in or violations of such laws or regulations may adversely affect our businesses and profitability.

Due to the nature of our industry and the global reach of our operations, we are subject to a variety of laws and regulations governing areas such as labor, employment, pensions, immigration, health and safety, tax (including social security, salary taxes and transfer pricing policies), corporate governance, customer protection, business practices, competition and environment. We incur, and expect to continue to incur, substantial costs and expenditures, and we commit a significant amount of our management's time and resources to comply with increasingly complex and restrictive regulations. We had an average headcount of 72,588 FTE employees in 2017 and personnel costs which represented 64.5% of our revenue in 2017, which are expected to grow significantly following the Acquisition (as Servest UK employed nearly 24,000 employees (of which a significant majority of operational staff were employed on a part-time basis) as at December 31, 2017), labor and employment laws and regulations have historically had (and are expected, following the Acquisition, to continue to have) a significant effect on our operations. Changes in such laws and regulations may increase our operating costs and diminish our operational flexibility. Furthermore, any failure to comply with the laws or regulations of the countries in which we operate may result in fines, penalties or other means of suspension or termination of our right to provide certain services in the relevant jurisdiction.

Any increases in the statutory minimum wage in any country or industry in which we operate may increase our personnel costs and negatively affect our operating margins and operational flexibility. For example, increases from 2015 to 2017 in the statutory minimum wage in France and the minimum wage under the relevant collective bargaining agreements in France had a direct adverse impact on our personnel costs. Further increases of the minimum wage are already scheduled to take place in 2018 under the national collective bargaining agreement for cleaning services. Similarly, Servest UK's cost of sales has been impacted by regulatory changes during the periods under review, including scheduled increases in the UK National Living Wage that began in 2016 for workers aged 25 and over and by auto-enrollment pension costs. And although the impact of these increases on cost of sales as a percentage of revenue has been limited to date because, under most of its current contractual arrangements, Servest UK is able to pass through these costs to its customers, there can be no assurance that it will always be possible for Servest UK to pass along these costs. An increase in operating costs or an inability to increase our prices in line with an increase in operating costs that are the result of unfavorable changes in labor and employment law and regulation or in the terms of collective bargaining agreements applicable to our business may have a material adverse effect on our business, results of operations and financial condition.

In December 2012, the French parliament enacted the CICE, as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. Pursuant to the CICE, French corporations have been entitled to a tax credit equal to 7% of the gross salaries paid to certain employees in 2017 and 6% of the gross salaries paid to these employees as from January 1, 2018. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Pursuant to the terms of the CICE scheme, for any given employee, the French statutory minimum wage is calculated on the basis of such employee's regular working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime). Under our current accounting policies, we are able to record the benefit of the CICE for which we are eligible as a deduction from personnel costs. As such, the benefit of the CICE has a positive impact on our operating income and our EBITDA.

However, as from January 1, 2019, the CICE will be cancelled and replaced by a 6% reduction of employer social security contributions applicable to the same employee gross salaries as those eligible for the CICE, subject to an adjustment that will vary by employee and will be based on a ratio of the employee's salary and the minimum statutory salary in accordance with a formula to be set by a decree that has not yet been published. Apart from the impact of the reduction of the rate from 7% to 6% and the possible impact of the new rules on the basis to which the reduction will apply, we anticipate this change in law will not eliminate the positive effects on our reported operating income or EBITDA, but we expect that it will affect our cash flows since the corporate income tax that we have to pay would increase, though that negative effect would be partially mitigated by our tax losses carried forward.

Finally, some of our large customers have in previous years exerted price pressure on the Atalian Group to decrease its prices proportionally to the benefits of the CICE, therefore eliminating the positive impact of the CICE, which had an impact on our revenue and margins. This price pressure could also continue even after the replacement of the CICE with a reduction in employer contributions and thus have an aggravated impact on our revenue and margins thereafter.

Pursuant to the Law on job security of June 14, 2013 and the Law on financing social security for 2016 of December 21, 2015, obligations to provide complementary health coverage (*mutuelle*) and welfare (*prévoyance*) benefits to all employees (including short term contracts or reduced part-time employees) during and after the termination of the employment contract were increased. These changes became effective for us on January 1, 2016 and had an adverse impact on our personnel costs of €0.3 million and €1.6 million in 2016 and 2017, respectively.

Furthermore, in France, our operations may be the subject of inspection or audit at any time by the French social security authorities ("URSSAF") or the work inspector (*inspection du travail*), as a result of which we may be subject to fines, penalties, and other liabilities and negative consequences. We cannot predict with certainty the ultimate outcome of any inspections or audits by the URSSAF or the work inspector, or the cost of defending against any resulting claims or reassessments, nor can we predict the impact of future developments arising from such inspections and audits, including any civil litigation proceedings and criminal procedures, any of which may have a material adverse effect on our business, financial condition and results of operations.

Changes in any of the abovementioned or similar laws or regulations or the adoption of any new laws or regulations in the same or similar areas could substantially increase our operating costs or restrict our operational flexibility and therefore have a material adverse effect on our business, results of operations and financial condition.

Our personnel costs may significantly vary in connection with transfers of employees pursuant to national collective bargaining agreements and the Transfer of Undertakings (Protection of Employment) Regulations 2016 ("TUPE"), which may negatively impact our business.

In France, the collective bargaining agreements applicable to our cleaning and security services businesses provide that in the event we win a cleaning services or security services contract and subject to certain conditions (for example, seniority in the business and type of employment contract), 100% of certain non-supervisory on-site employees working under the former cleaning services contract for this site or 100% of the on-site employees working under the former security services contract for this site having more than four years of service with the former employer or 85% of the on-site employees having less than four years of service with the former employer, as the case may be, will automatically be transferred from the former service provider to us, as the new service provider.

Changes to the terms of these agreements could have an adverse effect on our operating costs, which in turn could adversely affect our business, results of operations and financial condition. As a result of a renegotiation of the collective bargaining agreement for cleaning services in 2015, employees who have more than one year of service and employees who have more than 20 years of service benefit from an annual bonus equal to 6.7% and 10%, respectively, of the minimum conventional wages applicable to low salary. This amendment was extended to all companies covered by the relevant collective bargaining agreements by ministerial order dated November 2, 2015 and became effective for us the same month. This change had an adverse impact on our personnel costs of €1.0 million in 2017. As a result of the most recent renegotiation of the collective bargaining agreement for cleaning services in 2017, such annual bonus will be increased, as from November 1, 2018, to 7.7% and 11.5%, respectively, of the minimum conventional wages applicable to low salary.

In the United Kingdom, the TUPE, which applies to both business transfers and service provision changes, is applicable to many instances in which Servest UK wins or loses a contract from or to another service provider, or wins a new outsourcing contract. As a result, employees who are transferred to Servest UK by operation of TUPE do so on their existing terms and conditions of employment and TUPE protects employees against changes to those terms and conditions, which are void if the sole or principal reason for the change is the transfer.

We may fail to correctly assess the personnel costs related to these transferred employees when pricing our tenders, such as costs relating to certain entitlements from which such transferred employees benefited while working for the former service provider (for example, base compensation, bonuses, working hours, vacation time, company practices, unilateral undertakings and seniority), and which we are required to continue to provide. The failure to assess such costs correctly could lead to the mispricing of our tenders and could have a material adverse effect on our businesses, financial condition and results of operations.

We may not have the resources to meet our additional financial and other reporting requirements or implement effective internal controls and other standards, which could materially and adversely affect our business.

Since January 2013, when we issued our 2020 Notes that were redeemed in 2017, we have been required to provide annual and quarterly reports within specified time frames in accordance with the indenture governing the notes. Furthermore, we have experienced, and continue to experience, significant growth in the size, headcount and geographic reach of our business. Any future growth may strain our resources in our finance and accounting departments. Any future growth of our business may also require the expansion of our procedures for monitoring internal accounting functions and continued compliance with our reporting obligations, as well as the consistent application of such accounting and compliance procedures. Any resulting growth of our employee base may also increase our need for internal audit and monitoring processes that are more extensive and broader in scope than those that we have historically required.

Meeting these financial reporting obligations and implementing effective internal controls that comply with applicable accounting standards, as well as maintaining qualified staff and additional resources (both in finance and accounting), may result in the diversion of our senior management's time and attention from our day-to-day operations or cause other disruptions to our operations. For example, the business integration process related to the acquisition of VPNM and Eurogem required significant changes to our finance and accounting systems. As a result of this and other acquisitions, we experienced certain disruptions and inefficiencies in our accounting and management processes, such as in the processing and treatment of trade payables, trade receivables and intragroup transactions, and through the use of several different accounting systems and policies across our businesses. Difficulties in our internal accounting function and internal controls resulted in certain errors in our financial statements requiring corrections pertaining to fiscal year 2016/15 and fiscal year 2015/14 (in connection with the reinvoicing of expenses outside the Atalian Group). If similar or more severe problems arise in the future, or if we do not adequately manage the growing demands on our internal accounting or finance systems or for additional resources, we may be unable to comply with our financial reporting obligations or implement effective internal controls, which could result in errors and disruptions, in a default under the Indenture or corrections or a restatement of our financial statements. The occurrence of any such event could have a material adverse effect on our business, results of operations and financial condition.

Ongoing investigations by the Hungarian National Tax and Customs Administration against one of our Hungarian subsidiaries and two former employees of our subsidiary may expose us to monetary penalties and reputational damage, as well as other negative consequences.

Escort Kft, one of our Hungarian subsidiaries that provided security services, is currently subject to proceedings by the Hungarian National Tax and Customs Administration (the "NAV") regarding allegations against Escort Kft of tax evasion, and specifically alleged illegally reimbursed VAT deductions and non-payment of social contributions in connection with the use by Escort Kft of subcontractors. The NAV is claiming up to €10.9 million in alleged illegally reimbursed VAT deductions, unpaid social contributions and penalties. Separate criminal investigations have been launched by the criminal department of the NAV against two former employees of Escort Kft, including the former managing director, as well as Escort Kft itself, in connection with the same alleged offenses, and Escort Kft could be subject to significant fines if found guilty in the criminal case. If Escort KFT is found guilty in the criminal case, the Hungarian authorities could impose fines of up to three times the amount of the tax assessment.

We believe that a portion of the NAV claim, equal to € 4.0 million, relates to a period covered by the statute of limitations and we have other defenses to the claim.We have therefore appealed the charges to the NAV and are awaiting a decision on this appeal. If this appeal is not successful, any monetary judgments alleged by the NAV may then become enforceable. However, we would have the opportunity for additional appeals and the appeal process could last through 2019. It is expected that the criminal investigations will last until late 2019, after which any criminal trials could take an additional one to three years.

We have discontinued our activity in the security sector in Hungary as a result of these events. Escort Kft generated revenue of €8.9 million and €10.3 million in 2016 and 2017, respectively, and did not generate material EBITDA in either year. As of December 2017, Escort Kft had total assets of €5.2 million.

As result of these facts, we have conducted a compliance review of our Hungarian subsidiary active in the facility management sector, AGS Zrt., including with respect to issues of anti-bribery and anticorruption procedures. This review revealed certain weaknesses within our compliance framework, particularly in relation to our use of subcontractors and service providers. We have taken steps to address these issues, including terminating relationships with certain subcontractors and service providers identified as high risk.

Both the tax proceedings and the related criminal investigation are at preliminary stages, and it is not possible at this time to predict the timing or ultimate outcome of the proceedings. Through our Hungarian subsidiary, we may be the subject of monetary judgments in connection with the tax proceedings or criminal liability in connection with the criminal proceeding. In addition, there is no assurance that additional failures in the compliance framework will not exist or otherwise be discovered in the future, despite the measures we have implemented and intend to continue to implement in order to address the issues identified in our compliance review. There is also no assurance that a similar investigation will not be opened for the operations of Escort Kft for the period from 2016 to 2017. All of these events could materially harm our reputation and have a material adverse effect on our financial condition, results of operations and our business.

An investigation involving our relationship with one of our subcontractors has led us to identify certain deficiencies in our internal controls and may have a material adverse impact on us and expose us and our principal shareholder to liability.

In January 2017, the police and customs authorities, acting under a search warrant issued by French judicial authorities, searched our offices in France; premises at a building owned by a company wholly owned by our indirect principal shareholder in Brussels, that contains a business center leased by us as well as his private residence; two other properties owned by him; and the residences of two of our employees. We understand that the principal target of the investigation is a general contractor regularly retained by us as a subcontractor, and that the investigation involves possible criminal matters of a serious nature, including drug related matters. The police and customs authorities obtained, with our full cooperation, copies of invoices issued by the general contractor to us. We have not, and none of our employees or officers have, been charged with any offence in connection with these matters and we have limited information regarding the investigation at this stage.

Following these searches, we conducted an internal investigation into the facts and circumstances surrounding these invoices and our relationship with the general contractor. In the course of this internal investigation, we identified invoices issued to, and paid by, Maintenance Technique Optimisée ("MTO"), one of our French subsidiaries, in an aggregate amount of approximately €1.7 million. These invoices related to renovation and construction work performed by the general contractor at the Brussels building and the supply of materials related to such work. While our investigation enabled us to establish that the general contractor performed substantial work at the building and the amount invoiced was in most cases supported by the services rendered, for certain categories of work covered by these invoices, we were not able to conclude that the full amount invoiced was properly supported by the services rendered.

At the outset of our investigation, we informed our auditors and the company owning the Brussels building agreed to make prompt reimbursement of the full amount improperly invoiced to us, and did so in full in March 2017. We understand that our auditors have in turn informed the French judicial authorities of the payment of the identified invoices by MTO in accordance with their professional obligations.

In connection with the preparation of our Atalian Group Unaudited Interim Condensed Consolidated Financial Information, our consolidated statements of financial position as at August 31, 2015 and 2016 were restated to increase shareholders' equity by €1.7 million in fiscal year 2016/15 and €1.2 million in fiscal year 2015/14, respectively, in each case corresponding to the amount that would have been included in consolidated net income for the relevant period had the expense incurred during that period been reimbursed during the same period.

This matter revealed certain deficiencies within our internal control framework relating to our due diligence screening of subcontractors and the monitoring of subcontractor work and payments. We have taken steps to address these concerns in our operations, including retaining the services of a consulting firm to perform a review and assessment of our internal control framework and intend to focus on improving our procedures and controls with respect to the screening and monitoring of subcontractors retained by us, particularly in the area of building works which we have identified as presenting particular risks. There is no assurance, however, that additional failures in our internal controls will not exist or otherwise be discovered in the future. If our efforts to improve our internal controls are not successful, or if other deficiencies in our internal controls occur, our ability to accurately and timely report our financial position could be impaired, which could adversely affect our reputation, results of operations and financial condition.

The investigation initiated by the French judicial authorities with regard to this matter has not yet been completed, and it is not possible to predict the timing or ultimate outcome of the investigation at this time. While we believe that the investigation will ultimately be terminated without any charges against us, we cannot exclude the possibility that we, certain of our personnel or our indirect principal shareholder may in the future become subject to criminal proceedings in this regard. Any such actions could harm our reputation or the management of our business, and have a material adverse effect on our financial condition, results of operations and our business.

We provide services to companies in certain highly regulated industries, and non-compliance with applicable regulations could expose us to fines, penalties and other liabilities as well as other negative consequences.

We provide services to companies in highly regulated industries, including the nuclear, defense, transport and aeronautical industries. We also perform specialized cleaning services in areas such as healthcare and food-processing facilities. We and our customers in such industries are subject to highly detailed and restrictive laws and regulations regarding the provision of these services and the operation and safety of facilities in the jurisdictions in which we operate. For instance, the French Labor Code defines preventive safety measures for all employees exposed to ionizing radiations and requires specific training for certain employees of companies operating nuclear power stations. In addition, under the French Environmental Code, the producer or, as applicable, the holder of waste from nuclear operations or decommissioning operations is required to process and dispose of such waste in accordance with applicable requirements.

Complying with the legislative and regulatory frameworks for such highly regulated industries, which are becoming stricter, increasingly requires us to devote more of our technical and financial resources to our compliance efforts. The magnitude of the impact of such changes is difficult to predict. Violations of such requirements could expose us to fines, penalties, claims for personal injury or property damage and other costs or liabilities, as well as negative publicity. In addition, more stringent legal and regulatory requirements could adversely impact the long-term growth of the industries to which we provide our services and the demand for our services from customers operating in these industries, which could have an adverse effect on our business, results of operations and financial condition.

Any event damaging our reputations, or public opinion regarding outsourcing generally, could have an adverse effect on our businesses, results of operations, financial condition or prospects.

Our reputations are important to our ability to market our service offerings and secure new customers. Our historical success has largely rested on our reputation as a reliable provider of a broad range of services, particularly services requiring a certain level of technical expertise, such as multi-technical services, and this reputation has strengthened our business and helped to facilitate our expansion, and we accordingly seek to closely monitor the quality of our services. The same is generally true of Servest UK's success in the United Kingdom in respect of the services that it provides. Nevertheless, we may not be able to protect our business against damage to our reputation vis-à-vis our customers, potential customers and, more generally, in the geographic regions and sectors in which we operate. For example, we could be held responsible for an accident or malfunction at a customer's facilities due to poor performance of our services, or the erroneous perception that the accident or malfunction occurred as a result of our performance of services. In addition, labor disputes on our customer sites may, if widely publicized or particularly disruptive to the client's operations, harm our reputation in addition to exposing us to contractual penalties. Any such event or perception could damage our reputation or brand, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, growth in demand for our services is influenced by general public opinion regarding outsourcing, and positive and negative experiences with outsourcing. Negative perceptions regarding outsourcing generally may dampen growth in the outsourcing building services market, reduce our ability to achieve satisfactory growth rates or cause us to lose contracts, which could have a material adverse effect on our business, results of operations and financial condition.

We may face risks with respect to any divestments we undertake.

We may also face risks in relation to any divestments we may undertake. In fiscal year 2015/14, we disposed of our transportation and logistics business operating under the Logismark brand, our freight business, TFN Affrètement et Logistique, and our public lighting business, MTO Eclairage Public. Among the risks associated with such divestments, which could have a material adverse effect on our business, results of operations and financial conditions, are the following:

- divestments could result in losses and/or lower margins;
- divestments could result in write-down of goodwill and other intangible assets;
- divestments could result in the loss of qualified personnel; and
- we may encounter unanticipated events or delays and retain or incur legal liabilities related to the divested business with respect to employees, customers, suppliers, subcontractors, public authorities or other parties.

Any of these risks could have a material adverse effect on our results of operations and future growth prospects.

We could be harmed if a significant number of customers and, in particular, our largest customers, terminate their services contracts prior to the expiration of their stated terms or decide not to renew their service contracts, or if we can only renew existing contracts on less favorable terms.

Our contracts are generally automatically renewed at the expiration of the stated term unless explicitly terminated by the customer, except for our contracts with our larger customers which often have an initial fixed term renewable for one or more successive shorter terms at the customer's option. Under the terms of certain of our contracts (typically our larger contracts), our customers may terminate a contract at any time at their discretion following the expiration of an agreed notice period. Moreover, customer contracts to which Servest UK is party typically provide the relevant counterparty with the right to terminate for convenience on three months' notice. In addition, certain of Servest UK's material contracts will expire next year. For example, among Servest UK's top 40 customers by revenue in fiscal year 2017/16 (in aggregate representing 47.7% of its revenue for that year), four customers (representing approximately £17.5 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2018/17; eight customers (representing approximately £48.0 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2019/18; eleven customers (representing approximately £101.2 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2020/19; and six customers (representing approximately £14.9 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2021/20. Our customers may decide not to renew their service contracts with us. For example, in 2016, Temco lost its second largest contract in the United States, which generated approximately $6.0 million in monthly revenue in fiscal year 2016/15, pursuant to the decision of the City of New York to bring its school cleaning activity in-house and in 2017, Servest UK lost its cleaning contract with Sainsbury's on pricing considerations following a retender.

In 2017, the average annual contract size for the Atalian Group's ten largest customers of its cleaning business was approximately €43.0 million, compared to an average contract size for all our customers in this activity of €0.07 million. Revenue attributable to our largest customer (SNCF) and our ten largest customers in the cleaning business was, respectively, 7.6% and 38.7% of revenue generated by our cleaning business in 2017. Servest UK's customer concentration has, in general, been even more significant, with Tesco, Servest UK's largest customer, representing 11.4% of total revenue in fiscal year 2017/16, and the ten largest customers within each of its service divisions amounting to: 64.6% of the revenues of the Cleaning division; 41.3% of the revenues of the Building Services division; 39.9% of the revenues of the Catering division; and 65.1% of the revenues of the Security division in fiscal year 2017/16. As a result, Servest UK's revenues and cash flows from period to period, particularly at the divisional level, may be impacted by a relatively small number of key new contract wins, failures to renew existing contracts or changes in the breadth of services required under existing key contracts in any given period. Although we believe that our business is not (and, following the Acquisition, will not be) dependent on any one contract, the termination of a significant number of contracts prior to the expiration of their stated terms, and in particular contracts with our larger customers, or our failure to renew service contracts on favorable terms, or customer dissatisfaction with our services, may have a material adverse effect on our business, results of operations and financial condition, including by harming our reputation and making it more difficult for us to obtain similar contracts with other customers.

Our public sector contracts may be affected by political and administrative decisions or budgetary constraints.

The public sector is an important customer segment for us, particularly in our landscaping business in France, and is expected to increase following the Acquisition as a result of Servest UK's significant public sector contracts (and its strategic focus on winning more public sector work). Our businesses may accordingly be adversely affected by political and administrative decisions concerning levels of public spending, such as decreases in public spending that may occur in connection with the current focus in France, the United Kingdom and other European countries on reducing national and local government budget deficits. For example, in fiscal year 2015/14, certain local authorities in France deferred the renewal of landscaping contracts for budgetary reasons, which led to a decrease in revenue generated by our landscaping business. In addition, Temco lost its New York schools cleaning services contract in November 2016, which generated approximately $6 million in monthly revenue in fiscal year 2016/15, due to a decision by the City of New York to bring its cleaning activity in-house. Any future loss of large public sector contracts would have a material adverse effect on our business, results of operations and financial condition.

In certain cases, due to the applicable regulations, such as European Union tender rules, certain terms of public sector contracts, such as pricing terms, contract period, use of subcontractors and ability to transfer receivables under the contracts, are less flexible for us and Servest UK than comparable private sector contracts.

Contracts in the public sector are also subject to review and monitoring by local authorities to ensure compliance with laws and regulations prohibiting anti-competitive practices and we may be found in violation of any such laws or regulations, which would result in fines, penalties and other sanctions, including exclusion from participation in tenders for public contracts. Any such event would have a material adverse impact on our reputation, business, results of operations and financial condition.

We may not be able to win new contracts, including competitively awarded contracts, and the contracts we win may not yield expected results.

We must constantly win new contracts to sustain growth and such new contracts may be subject to competitive bidding. The decision by an existing or potential customer to outsource building services is dependent upon, among other things, its perception regarding the price and quality of such outsourced services. Certain customers may have an initial bias against outsourcing their support functions.

We may be unable to continue to win competitively awarded and other new contracts. In addition, we may spend significant time and incur costs in order to prepare a bid or proposal, or participate in a bidding process, at the end of which we may not be retained. Even if we are awarded a contract, it may not yield the expected results, in particular if we are unable to successfully calculate prices, control costs and manage day-to-day operations. For example, the timetable or cost structure may differ from prior estimates as both depend on a wide range of parameters, some of which are difficult to forecast, such as increased personnel costs resulting from unfavorable changes in labor and employment laws or regulations, which can lead to execution difficulties and cost overruns that we may not be able to pass on to our customers. Our inability to accurately predict the actual cost of providing our services could result in a decrease in our margins or even losses under these contracts, which would have a material adverse effect on our business, results of operations and financial condition.

Our international presence requires us to maintain effective project and site management, and if we fail to do so our business could be harmed.

Our international expansion strategy involves the retention of local management teams to serve as a link between the local market and the Atalian Group. Local managers therefore retain considerable autonomy with respect to the management of our operations in their markets. While regional managerial structures were created in fiscal year 2015/14 in order to support our international operations, our business model also emphasizes local decision-making and responsibility at a country level. In order to ensure that the projects we take on are executed effectively and profitably, we need to have a high degree of project and site management expertise, particularly in evaluating the costs of providing our services to the relevant customer and in maximizing efficiency in providing the contracted services throughout the term of the contract. If our local management team does not have the required project and site management expertise, we may be unable to efficiently and profitably render our services, and we could experience increased contract execution costs or operating losses, difficulty in obtaining timely payment for our services, or harm to our reputation, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to hire and retain enough sufficiently qualified technicians to support our operations. In addition, we may encounter problems in recruiting and retaining qualified employees across our business in periods of rapid economic growth.

In some of the market segments in which we operate, such as multi-technical services, our success depends upon our ability to attract and retain qualified technicians and any difficulties in retaining them could disrupt our operations. Our growth also requires that we continually hire and train new qualified technicians. A higher turnover rate among qualified technicians will increase our recruiting and training costs and limit the number of experienced personnel available to staff projects adequately. If this were to occur, we may not be able to execute projects effectively and operate those businesses profitably. In addition, in periods of rapid economic growth, we may encounter problems in recruiting and retaining qualified employees across all our businesses or generally experience increasing staff costs in order to recruit and retain such employees, which we may not be able to effectively pass on to our customers, which could have a material adverse effect on our businesses, results of operations and financial condition.

A deterioration of the relationships with our employees or trade unions or a failure to extend, renew or renegotiate on favorable terms our Group-specific collective bargaining agreements could have an adverse impact on our businesses.

In 2017, we had an average headcount of 72,588 FTE employees in 31 countries, including France, and as at December 31, 2017, Servest UK employed 20,969 operational staff (of which a significant majority were employed on a part-time basis) and 2,640 administrative and management staff. As we are continuously restructuring our workforce to achieve productivity gains, maintaining good relationships with our employees, unions and other employee representatives is crucial to our ability to successfully implement such restructurings. As a result, any deterioration of the relationships with our employees, unions and other employee representatives could have an adverse effect on our businesses, results of operations and financial condition.

The majority of our employees are covered by national collective bargaining agreements and company-level agreements specific to the Atalian Group, and this will remain true following the Acquisition. Most of the Atalian Group-specific agreements, including our agreements that address hardship in working conditions (*pénibilité du travail*) and gender and age equality, were implemented in 2015 for a fixed term and will be renegotiated every three years. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of our employees such as working time, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and group-specific agreements also contain provisions that could affect our ability to restructure our operations and facilities, to terminate employees or to outsource certain services.

We may not be able to extend existing group-specific agreements, renew them on their current terms, or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. We may also become subject to additional group-specific agreements or amendments to the existing national collective bargaining agreements. For example, negotiations are scheduled in 2018 under the national collective bargaining agreement for cleaning services to discuss the classification of job positions and requirements related to healthcare benefits. As a result of these discussions, we may be required to reclassify certain of our employees, which may in turn result in the payment of higher wages to them or provide enhanced healthcare benefits to certain of our employees. Additional group-specific agreements or amendments may increase our operating costs and have a material adverse effect on our business, results of operations and financial condition.

Beginning in 2018, the Atalian Group will be required to organize elections in France for representatives of the new economic and social committees that will replace the current employees' representatives pursuant to the September 22, 2017 ordinance which reforms employees' representation in French companies. As such reform reduces the total number of employees' representatives, the organization of such elections may result in more competitive election campaigns among trade unions and may also result in increased pressure by way of strikes, similar industrial actions or other disturbances in order to obtain from the Atalian Group a higher number of seats than the minimum prescribed under applicable laws.

In addition, we are required to consult and seek the advice of our employee works councils with respect to a broad range of matters, which could prevent or delay the completion of certain corporate transactions.

Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, particularly where there are union delegates, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

We have recorded a significant amount of goodwill and we may never realize the full value thereof.

We have recorded a significant amount of goodwill in relation to our acquisitions. This amount of goodwill on our balance sheet may further increase as a result of further acquisitions in the future. Total goodwill, which represents the excess of cost over the fair value of the net assets of businesses or shares acquired, was €608.4 million as of December 31, 2017, or 38.5% of our total assets. Servest UK's total goodwill was £79.5 million, or 31.1% of Servest UK's total assets, as of December 31, 2017.

Goodwill is recorded on the date of acquisition and is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations (including changes that restrict our activities or affect the services we provide) and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We did not record any charges for goodwill impairment during 2017, and Servest UK recorded only £3.9 million in charges relating to the impairment of goodwill in fiscal year 2017/16. Any further significant impairment of goodwill in the future may result in a material reduction in our income and equity and could have a material adverse effect on our business, results of operations and financial condition.

The departure of key members of our management team or other key personnel, or our inability to attract and retain qualified management or other key personnel, could have an adverse effect on our business.

Our success is dependent, to a large degree, upon the continued service and skills of our existing executive management team, particularly Mr. Franck Julien, the Chairman of AHDS, Mr. Loïc Evrard, Chief Financial Officer, and Mr. Matthieu de Baynast de Septfontaines, the Managing Director of the Company and Chairman of Atalian International. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily and our business may be disrupted, which may materially and adversely affect our results of operations and financial condition. Competition for management and key personnel is intense, and the pool of qualified candidates is limited, so we may not be able to attract and retain experienced executive or key personnel in the future, which could hinder our ability to run and develop our business successfully. In addition, if any of our executives or other key personnel joins a competitor or forms a competing company, we may lose customers, know-how and other key personnel, which may have a material adverse effect on our business, results of operation and financial condition.

We may not be able successfully to defend against claims made against us by customers or other third parties, or may fail to recover adequately on our claims against customers or third parties.

We may enter into agreements with third-party partners, equipment suppliers and subcontractors in connection with the provision of services under our customer contracts. Reliance on such third parties reduces our ability to directly control both our workforce and the quality of services provided. Accordingly, we are exposed to risks relating to managing third parties and the risk that these third parties may fail to meet agreed quality benchmarks under the contract or to generally comply with applicable legislative or regulatory requirements.

As such, claims involving such third parties may be brought against us, and by us. Claims brought against us could include accrued expenses for allegedly defective or incomplete work, breaches of warranty or late completion of the project and claims for cancelled projects. The claims and accrued expenses can involve actual damages, as well as contractually agreed upon liquidated sums. These claims, as well as claims we may make against customers or other third parties, if not resolved through negotiation, could result in lengthy and expensive litigation or arbitration proceedings. Expenses associated with claims, or our failure to recover sufficient damages or liquidated sums in connection with claims brought against third parties, could have a material adverse effect on our businesses, financial condition and results of operations.

Furthermore, third-party partners, equipment suppliers and subcontractors may have inadequate insurance coverage or inadequate financial resources to honor claims or judgments resulting from damages or losses inflicted on the customer by such third parties. Any failure of such third parties to meet their obligations could harm our reputations, as well as result in customer losses and financial liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to claims or penalties relating to the working conditions of our employees.

Our and Servest UK's operations are subject to environmental as well as occupational health and safety laws and regulations. New technology, the implementation of new work processes, services, tools and machinery may have unforeseen negative effects on the working conditions of our and Servest UK's employees. Some of the services we undertake in our and Servest UK's businesses put our and Servest UK's employees and others in close proximity with large pieces of mechanized equipment, moving vehicles and hazardous chemicals. Unsafe worksites also have the potential to increase employee turnover, increase the cost of a service to our customers or the operation of a facility and raise our operating costs. Violations of, or liabilities under, applicable environmental or occupational health and safety laws and regulations could result in fines, penalties, legal claims as well as increased operating costs and reputational damage, which could have a material adverse effect on our business, results of operations and financial condition.

We may incur liabilities for the actions of our employees.

As with other providers of outsourced building services, our employees provide our services within buildings and at locations owned or operated by our customers. As a result, we may be subject to claims in connection with damage to property, business interruptions, the spread of infections at healthcare facilities, food contamination, violations of environmental and/or occupational health and safety regulations, unauthorized use of the customer's property or willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises through us. Such claims may be substantial and may result in adverse publicity for us. Moreover, such claims may not be covered by our insurance policies. Accordingly, these claims could have a material adverse effect on our businesses, results of operations and financial condition.

In addition, the tender process involves risks associated with fraud, bribery, corruption and fraudulent activity in the procurement process. Although we maintain internal monitoring systems, and we have never been convicted, fined or sanctioned in connection with fraud, bribery or corruption, we may be unable to detect or prevent every instance of fraud, bribery and corruption involving our employees or agents in the future. The involvement or association of our employees or agents with fraud, bribery or corruption, or other violations or allegations or rumors relating thereto, could have a material adverse effect on our businesses, results of operations and financial condition.

We may incur liabilities related to food service.

Servest UK's catering services provide customers with food products for human consumption, which exposes Servest UK to safety risks such as product contamination, spoilage or product tampering. Such safety risks may require destruction of inventory and could result in negative publicity, temporary interruption of operations and substantial costs of compliance or remediation. Servest UK may be impacted by publicity regarding any assertion that Servest UK's catering services cause illness or injury. Servest UK could also be subject to claims or lawsuits relating to an alleged or actual illness stemming from product contamination or any other incidents that compromise the safety and quality of food products provided by Servest UK's catering division.

A significant lawsuit or other event leading to the loss of consumer confidence in the safety and quality of Servest UK's services could damage Servest UK's brand, reputation and image and negatively impact Servest UK's sales, profitability and prospects for growth. Servest UK cannot guarantee that its efforts to monitor food and product safety risks will be successful or that such risks will not materialize. In addition, even if Servest UK's products or services are not affected by contamination or other incidents that compromise their safety and quality, negative publicity about Servest UK's catering business could result in reduced consumer demand for its products and services.

Any claims, lawsuits or negative publicity related to the healthiness, safety and quality of Servest UK's products and services may damage its reputation, increase its costs of operations and negatively impact demand for its catering services. Servest UK's sales may be affected, which may have a material adverse effect on its business, results of operations, financial condition and prospects.

We may incur liabilities that are not covered by insurance.

We carry insurance of various types, including property damage insurance, general liability coverage and directors' liability insurance. Given our international operations, the diversity of locations and settings in which our employees provide services and the range of activities our employees engage in, we may not always be able to accurately foresee all activities and situations in order to ensure that they are fully covered by the terms of our insurance policies and as a result, we may not be covered by insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are insurable and we may experience major incidents of a nature that are not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year may have a material adverse effect on our insurance premiums. In addition, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost, which could have a material adverse effect on our businesses, results of operation and financial condition.

We may incur substantial liabilities for any failure to meet applicable cleanliness, safety or security standards, and experience adverse publicity relating to any actual or alleged failure to meet such standards, which could result in damage to our reputations.

Our businesses are associated with public health and safety, particularly our cleaning services in relation to food preparation and healthcare facilities and, following the Acquisition, Servest UK's wide-ranging catering services. As a result, we may be subject to substantial liabilities if we fail to meet applicable cleanliness or safety standards and that failure causes harm to individuals or entities, including, for example, through contamination of food products produced at the facilities that we clean or the outbreak of illness within the hospitals that we service. In addition, we could be held responsible for any breaches of security by our employees at sensitive customer sites, such as airports and nuclear power stations. Furthermore, our reputations could be harmed by any actual or alleged failure to meet appropriate cleanliness or safety standards. Any publicity relating to incidents of this kind could have a material adverse effect on our reputations and, therefore, our businesses, results of operations and financial condition.

The interests of our ultimate principal shareholder may be inconsistent with the interests of the noteholders.

Currently, we are indirectly wholly-owned by Mr. Franck Julien. As a result, Mr. Franck Julien is able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of Mr. Franck Julien could conflict with the interests of the noteholders, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, Mr. Franck Julien could cause us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions that, in his judgment, could enhance his equity investments, even though such transactions might involve risks to noteholders. Furthermore, Mr. Franck Julien may sell all or any part of his shareholding at any time or look to reduce his holding by means of a sale to a strategic investor, an equity offering or otherwise. Such divestitures may not trigger a change of control under the Indenture. Upon completion of the Acquisition, Mr. Franck Julien will remain our indirect majority shareholder.

We rely on computer systems to conduct our business. Our computer systems may fail to perform their functions adequately or be interrupted, which could potentially harm our business.

We rely on numerous computer systems that allow us to track and bill our services, communicate with customers, manage our employees and gather information upon which management makes decisions regarding our business. The administration of our businesses is increasingly dependent on the use of these systems. As a result, system failures or disruptions resulting from computer viruses, hackers or other causes could have a material adverse effect on our businesses, results of operations and financial condition.

We may face tax risks.

We have structured our commercial and financial activities in light of diverse regulatory requirements and our commercial and financial objectives. These structures therefore create value from the synergies and the commercial power vested in a multinational group. Given that tax laws and regulations in the various jurisdictions in which we operate may not provide clear-cut or definitive doctrines, the tax regime applied to our operations and intra-group transactions or reorganizations is sometimes based on our interpretations of French or foreign tax laws and regulations. We cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect our financial condition or results of operations. More generally, any failure to comply with the tax laws or regulations of the countries in which we operate may result in reassessments, late payment interest, fines and penalties.

Furthermore, we may record deferred tax assets on our balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from our entities. The actual realization of these assets in future years depends on tax laws and regulations (including the evolution of the CICE mechanism), the outcome of potential tax audits, and on the expected future results of the relevant entities. In particular, under currently applicable rules in France, tax losses carried forward can only offset

€1 million of taxable income plus 50% of the current-year taxable income that exceeds that amount. As of December 31, 2017, our net deferred tax assets totaled €62.1 million, mainly related to tax loss carry-forwards of the Atalian Cleaning (formerly TFN Val) tax group. Any reduction in the ability to use these assets due to changes in laws and regulations, potential tax reassessments, or lower than expected results could have a material adverse impact on our results of business operations and financial condition.

We are subject to risks from legal and arbitration proceedings, which could adversely affect our financial results and condition.

From time to time we are involved in labor, tax and commercial legal and arbitration proceedings, the outcomes of which are difficult to predict. We could become involved in legal and arbitration disputes in the future which may involve substantial claims for damages or other payments. In addition, partly due to the constant restructuring of our workforce, we are involved in a large number of proceedings with employees, typically in respect of severance payments in connection with dismissals and claims of recharacterization of a fixed-term employment contract (*contrat à durée déterminée*) into an indefinite-term employment contract (*contrat à durée indéterminée*) or of a part-time employment contract into a full-time employment contract, as well as proceedings related to the application of relevant national collective bargaining agreements concerning the automatic transfer of employees. Although individually these proceedings do not typically involve substantial amounts, in the aggregate such proceedings or any increase in the number of such proceedings may have a significant adverse impact. As of December 31, 2017, we have recorded a provision of €11.5 million for employee litigation.

In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant. Even if there is a positive outcome in such proceedings, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other litigants, insurance or otherwise, which could have a material adverse effect on our business, results of operations and financial condition.

We were assessed, and held liable for, a withdrawal liability in connection with Temco's withdrawal from participation in a multiemployer pension plan and may in the future be subject to withdrawal liability in respect of other multiemployer pension plans

In November 2016, Temco, a U.S. company that the Atalian Group acquired in January 2016, lost a major contract with the New York Department of Education (the "DOE") due to a decision by the City of New York to bring its school cleaning activity in-house. As a result of the loss of this longstanding contract with the DOE, Temco withdrew from the Building Services 32BJ School Workers Pension Fund, a multiemployer pension plan.

When an employer withdraws from a multiemployer defined benefit pension plan which has unfunded vested benefits, the employer is generally liable to the pension plan for a share of the unfunded vested benefits in an amount determined in accordance with the Multiemployer Pension Plan Amendment Act of 1980 (the "MPPAA").

On April 2, 2018, Temco was assessed a withdrawal liability of $21,941,761.00, or $39,368,891.20 if paid in 80 quarterly payments of $492,111.14, in accordance with the MPPAA. Temco will begin making quarterly payments of $492,111.14 commencing no later than June 1, 2018. We believe that we are not solely responsible for such withdrawal liability and we expect to commence negotiations with the relevant parties, including the DOE, in an attempt to resolve the matter, but there can be no assurances that we will be successful in any such negotiation or any subsequent legal proceeding we may pursue. Payment of this withdrawal liability may have an adverse impact on our liquidity, business, results of operations and financial condition.

Multiemployer defined benefit pension plans are common for outsourced building services work in New York State, and as a result, Temco may have potential obligations for unfunded pension plan liabilities in respect of a number of similar multiemployer pension plans. Although the underlying contracts related to these plans are generally longstanding and not presently expected to be cancelled, there can be no assurance that they will not be cancelled before their contract term expires. If any of such contracts are cancelled or not renewed upon the expiration of their contract terms, Temco could be exposed to additional significant unfunded pension liabilities, which could have an adverse impact on our liquidity, business, results of operations and financial condition.

THE ACQUISITION

On April 6, 2018, we entered into an agreement (the "Share Purchase Agreement") among the Company, Atalian UK, AHDS (together with the Company and Atalian UK, the "Atalian Parties"), the current shareholders of Servest Limited (the "UK Sellers"), the current shareholders of Servest Group Holdings Limited ("SGHL") other than Servest Limited (the "SGHL Sellers" and, together with the UK Sellers, the "Sellers") and Servest Limited to acquire all of the share capital (the "UK Shares") of Servest Limited and 26.2% of the issued shares (the "SGHL Shares" and, together with the UK Shares, the "Shares") in the capital of SGHL that Servest Limited does not directly own. In addition to the Share Purchase Agreement, we entered into several other agreements in connection with the Acquisition. On the Completion Date, the Company will indirectly own 100% of the UK Shares, the SGHL Shares and the shares of their respective subsidiaries.

On the Completion Date, the Company will (directly or indirectly) pay €611 million equivalent (treating the €17.0 million Loan Note Equity Contribution as payment) to fund the purchase price of the Acquisition and to repay all amounts outstanding under Servest UK's external facilities, other than the Lloyds Card Facilities. The consideration relating to the Acquisition of the entire issued share capital of Servest Limited will be paid principally in the form of cash. In addition, certain of the SGHL Sellers (the "Rollover Managers") will receive loan notes in the amount of €17.0 million which are intended to be converted into newly issued shares in the Company.

A company beneficially owned by Mr. Kenton Fine and certain members of Servest UK senior management will also invest €20.0 million in cash within 30 business days after the Completion Date in exchange for newly issued shares in the Company. After this Cash Equity Contribution, members of Servest UK senior management and Mr. Kenton Fine will own, directly or indirectly, approximately 3.0% of the outstanding shares of the Company in the aggregate.

Acquisition Rationale

Servest UK is a significant provider of facility management services in the United Kingdom. As of December 31, 2017, through its nearly 24,000 employees (of which a significant majority of operational staff were employed on a part-time basis), it provided a full suite of cleaning, building maintenance, catering, security, pest control, compliance and other facility management services and solutions to over 2,200 public and private-sector customers at thousands of client sites across the United Kingdom. In fiscal year 2017/16, Servest UK had total revenue of £456.8 million and Adjusted EBITDA of £30.0 million. In the three months ended December 31, 2017, Servest UK had total revenue of £115.9 million and Adjusted EBITDA of £5.6 million and in the twelve months ended December 31, 2017, Servest UK had a total revenue of £458.5 million and Adjusted EBITDA of £29.5 million.

The Atalian Group plans to grow its strategic presence in the United Kingdom as well as to increase the combined group's ability to bid in tender processes for pan-European contracts, thereby allowing it to access other markets. The United Kingdom market for outsourced building services amounted to $36 billion in annual revenue in 2016 according to the Frost & Sullivan reports. The UK market, relative to other European countries, has been significantly consolidated with only a few large private facility management companies offering a variety of services. We aim to capitalize on the organizational synergies and combined know-how of our and Servest UK's group to further increase our penetration into the UK market. In addition, the Acquisition will expand our opportunities to develop the technology-driven facility management services we believe our customers are increasingly likely to seek in the years to come. The strategic investment in Getronics will enable the combined group to provide its clients with an understanding of how people use, occupy and move around facilities, including useful information that can help shape how those facilities can be best put to use. Insights gathered in this manner can be used in a number of ways, from reducing energy costs through energy management solutions to creating "smart" buildings that improve employee productivity, safety and satisfaction and the overall customer experience. We also expect the Acquisition to improve our profitability through synergies resulting from, *inter alia*, the alignment of our purchasing strategy and terms, an improved purchasing scale and organizational synergies.

The Acquisition presents opportunities for significant synergies, as we currently estimate €16.2 million of run-rate synergies from 2020 onwards. We currently estimate €1.3 million of one-off costs to deliver these synergies.

The majority of the synergies are in purchasing synergies and we expect they will be mostly driven by the following four key initiatives:

- *Multi-technical equipment*: We aim to achieve purchasing savings with respect to multi-technical equipment, relating to electrical and plumbing components and industrial supplies, including from price renegotiations, supplier panel optimization and product rationalization;

- *Consumables*: We aim to achieve purchasing savings with respect to consumables, including from supplier rationalization, year-end rebate improvement, price alignment and best practice sharing;

- *Cleaning machines and maintenance*: We aim to achieve purchasing savings for cleaning machines and maintenance, including from price renegotiations with suppliers, a change in Servest UK's supply model from distributor purchasing to manufacturer purchasing, supplier rationalization and cost improvements relating to the launch of a call for tender process; and

- *Agency labor*: We aim to achieve purchasing savings with respect to agency labor, mostly driven by supplier rationalization.

We expect the remainder of the synergies to be realized in other functions (such as finance, marketing, and information technology) and reorganizations (mainly human resources related reorganizations).

Prospective investors should note, however, that such estimates and goals are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

SELECTED ATALIAN GROUP HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected financial and operating data of the Company. The financial data in the tables below is derived from the Atalian Group Consolidated Financial Statements. The Atalian Group Audited Consolidated Financial Statements have been prepared in accordance with IFRS and the Atalian Group Unaudited Interim Condensed Consolidated Financial Information was prepared in accordance with IAS 34.

The financial information for the twelve months ended December 31, 2017 is set forth in note 2.3 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements and the financial information for the twelve months ended December 31, 2016 has been prepared by taking the Atalian Group's historical financial information for fiscal year 2016/15, adding the historical information for the four months ended December 31, 2016 and subtracting the historical financial information for the four months ended December 31, 2015, both as derived from the Atalian Group Unaudited Interim Condensed Consolidated Financial Information.

This financial information should be read in conjunction with the Atalian Group Consolidated Financial Statements and the related Notes.

CONSOLIDATED INCOME STATEMENT DATA:

	For the year ended August 31,		For the four months ended December 31,		For the twelve months ended December 31,	
	2015	2016 restated[(1)]	2015	2016	2016 restated[(1)]	2017
	€ in millions					
Revenue	**1,332.4**	**1,649.9**	**477.9**	**618.0**	**1,790.0**	**2,028.5**
Purchases consumed	(290.3)	(334.5)	(109.0)	(126.9)	(352.4)	(443.9)
External charges	(81.9)	(93.8)	(29.1)	(37.4)	102.1	(122.3)
Personnel costs	(850.9)	(1,100.8)	(305.0)	(407.5)	(1,203.3)	(1,307.9)
Taxes other than on income	(23.0)	(23.6)	(6.7)	(8.8)	(25.7)	(29.4)
Other recurring operating income and expenses	3.4	4.2	0.1	2.6	6.7	11.5
EBITDA[(2)]	**89.6**	**101.5**	**28.2**	**40.0**	**113.3**	**136.5**
Depreciation and amortization, net	(23.8)	(29.8)	(8.1)	(11.5)	(33.2)	(39.3)
Provisions and impairment losses	(2.6)	(9.7)	(0.4)	(1.1)	(10.4)	(16.0)
Operating profit	**63.2**	**62.0**	**19.7**	**27.5**	**69.8**	**81.1**
Financial income	0.7	0.3	0.0	0.1	0.4	0.7
Finance expenses	(26.8)	(32.7)	(9.2)	(12.2)	(35.7)	(52.8)
Finance costs, net	**(26.2)**	**(32.5)**	**(9.2)**	**(12.1)**	**(35.3)**	**(52.1)**
Other financial income and expenses	0.2	(0.9)	(0.3)	0.0	(0.6)	(2.5)
Net financial expense	**(25.9)**	**(33.4)**	**(9.5)**	**(12.1)**	**(35.9)**	**(54.6)**
Income tax expense	(13.9)	(12.6)	(4.2)	(8.1)	(16.5)	(16.6)
Share of profit (loss) of equity-accounted companies	0.1	(0.1)	0.0	0.0	(0.1)	0.2
Net profit from recurring operations	**23.5**	**16.0**	**6.0**	**7.3**	**17.3**	**10.2**
Net profit (loss) from discontinued operations	(10.6)	—	—	—	—	—
Profit for the period	**12.9**	**16.0**	**6.0**	**7.3**	**17.3**	**10.2**

(1) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Snformation, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

(2) The Atalian Group defines EBITDA as operating profit, as reported in the Atalian Group Consolidated Financial Statements, adjusted to exclude the following line items, each of which as reported in the Atalian Group Consolidated Financial Statements: depreciation and amortization, net, and provisions and impairment losses, net. EBITDA corresponds to the line item "Recurring operating profit before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2014/13 and the Atalian Group 2015/14 Audited Consolidated Financial Statements and to the line item "Operating income before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2016/15 Audited Consolidated Financial Statements and the Atalian Group Unaudited Interim Condensed Consolidated Financial Statements. For consistency, the Atalian Group refers to this item as EBITDA throughout this document (excluding the Atalian Group Consolidated Financial Statements). Many of the Atalian Group's subsidiaries that are consolidated in its financial statements are not wholly-owned by the Atalian Group. See note 17 of the Notes to the Atalian Group Audited Consolidated Financial Statements.

EBITDA is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. The Atalian Group believes that the inclusion of EBITDA in this document is useful because it provides the same information that the Atalian Group uses internally for purposes of assessing its operating performance. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Atalian Group's results of operations. Because not all companies calculate EBITDA identically, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies.

CONSOLIDATED STATEMENT OF CASH FLOW DATA:

	For the fiscal year ended August 31,		For the four months ended December 31,		For the twelve months ended December 31,	
	2015	2016 restated(1)	2015	2016	2016 restated(1)	2017
	€ in millions					
Net cash from (used in) operating activities	75.9	36.1	(4.6)	1.8	42.5	104.6
Excluding impact of off-balance sheet factoring of receivables	*93.6*	*79.8*	*(8.4)*	*(10.0)*	*78.2*	*119.9*
Net cash used in investing activities	(49.8)	(87.7)	(14.1)	(11.8)	(85.5)	(101.9)
Net cash used in financing activities	(34.5)	103.3	(1.4)	(5.4)	99.4	52.2
Exchange gains (losses) on cash and cash equivalents	(2.8)	(0.1)	(0.5)	(1.6)	(1.1)	0.3
Net increase (decrease) in cash and cash equivalents	**(11.2)**	**51.7**	**(20.6)**	**(17.0)**	**55.3**	**55.2**

(1) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Statements, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

(2) Several of the Atalian Group's subsidiaries sell their trade receivables on a monthly basis under factoring contracts. Some of these contracts involve the transfer of substantially all the risks and rewards of ownership of the receivables concerned to the factoring companies, so that the Atalian Group no longer record a financial liability on its balance sheet with respect to the sold receivables. Factored receivables for which the Atalian Group has not transferred substantially all the risks and rewards of ownership remain recorded on the balance sheet under "Trade receivables," with the recognition of a corresponding financial liability. The Atalian Group's net debt (including off-balance sheet factoring of receivables) was €533.6 million as of December 31, 2017, €395.2 million as of August 31, 2016 and €327.2 million as of August 31, 2015.

(3) Net cash and cash equivalents correspond to the sum, at the period-end, of cash and cash equivalents and short-term bank loans and overdrafts as reported on the Atalian Group's consolidated balance sheet.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA:

	As of August 31,		As of December 31,	
	2015 restated(1)	2016 restated(1)	2016 restated(1)	2017
	€ in millions			
Assets				
Goodwill	425.7	486.3	501.3	608.4
Intangible assets	10.1	17.8	21.0	21.3
Property, plant and equipment	54.9	66.4	68.3	85.7
Deferred tax assets	51.7	65.1	63.2	62.1
Other non-current financial assets	19.4	19.2	21.7	18.3
Non-current assets	**561.8**	**654.8**	**675.5**	**795.8**
Inventories	3.6	4.3	4.2	5.9
Trade receivables	246.3	331.7	339.8	387.9
Other receivables and accruals	149.0	175.5	188.0	247.4
Cash and cash equivalents	56.3	108.1	91.2	144.5
Current assets	**455.2**	**619.6**	**623.2**	**785.7**
Total assets	**1,017.0**	**1,274.5**	**1,298.7**	**1,581.5**
Equity and liabilities				
Non-current provisions	9.4	15.5	14.5	27.9
Non-current financial liabilities	260.7	442.9	426.5	636.2
Deferred tax liabilities	0.2	3.5	3.7	2.3
Non-current liabilities	**270.2**	**461.9**	**444.7**	**666.4**

Short-term provisions	17.1	17.8	17.6	17.8
Short-term bank loans and current portion of financial debt	60.4	41.1	67.9	25.9
Trade payables	147.0	168.4	171.8	198.4
Other liabilities and accruals	389.2	448.8	466.8	529.5
Current liabilities	**613.6**	**676.1**	**724.0**	**771.6**
Equity	133.2	136.4	130.0	143.4
Total equity and liabilities	**1,017.0**	**1,274.5**	**1,298.7**	**1,581.5**

(1) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Statements, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

	As of and for the year ended August 31,		As of and for the four months ended December 31,		As of and for the twelve months ended December 31,	
	2015	2016 restated	2015	2016	2016	2017
	€ in millions (except as indicated)					
OTHER DATA (unaudited):						
Capital expenditures (organic)(1)	18.1	26.1	7.8	9.7	28.0	31.7
Capital expenditures (external growth)(1)	32.1	71.9	4.8	4.1	71.2	80.5
Change in working capital	(4.3)	(29.2)	25.1	27.4	(31.5)	10.3
Change in working capital excluding the effect of off-balance sheet factoring of receivables	*13.5*	*14.4*	*(28.7)*	*(39.1)*	*4.1*	*25.6*
Number of employees (FTE)(2)	36,564	59,658	n/a	63,598	59,657	72,588

(1) Capital expenditures (organic) correspond to tangible and intangible capital expenditures other than the purchase price of acquired businesses. Capital expenditures (external growth) correspond to the purchase price of acquired businesses (net of cash acquired and sold).

(2) Corresponds to our average number of FTE employees in fiscal year 2015/14, fiscal year 2016/15, the four months ended December 31, 2015 and December 31, 2016, and the twelve months ended December 31, 2016 and 2017, respectively.

SELECTED SERVEST UK HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected financial and operating data of Servest UK. The financial data in the tables below is derived from the Servest UK Audited Consolidated Financial Statements, which have been prepared in accordance with IFRS, and the Servest UK Unaudited Interim Condensed Consolidated Financial Statements, which was prepared in accordance with IAS 34.

The condensed consolidated statement of profit or loss data presented for the twelve months ended December 31, 2017 is prepared under IFRS and has been derived by adding the results of operations of Servest UK for fiscal year 2017/16 to the results of operations for the three months ended December 31, 2017, and subtracting therefrom the results of operations for the three months ended December 31, 2016 (hereinafter referred to as the "twelve months ended December 31, 2017" or "LTM"). This data has not been prepared in the ordinary course of Servest's financial reporting and has not been audited or reviewed.

Servest UK has early adopted IFRS 16 from October 1, 2017 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC 4 consistent with the policies set out in the Servest UK Audited Financial Statements dated September 30, 2017. This has resulted in the addition of £5.4m right-of-use assets, £5.8m of lease liability and a £0.4m opening retained earnings adjustment for the three months ended December 31, 2017. This has also meant that for the three months ended December 31, 2017, there are no operating lease rentals being recognised through the Consolidated Statement of Profit or Loss. The adoption of this new standard has increased interest expense by £0.1m, increased depreciation by £0.4m and reduced operating expenses by £0.5m in the three months ended December 31, 2017. IFRS 15 was also adopted in the same period using the cumulative effect method, but there has been no material change in the statement of financial position or results of operations as a consequence of adopting this new standard.

This financial information should be read in conjunction with the Servest UK Audited Consolidated Financial Statements and the related Notes, and the Servest UK Unaudited Interim Condensed Consolidated Financial Statements and related Notes, which are included elsewhere in this document, and with the information set forth under the headings "Presentation of Financial and Other Information—Historical financial information of Servest UK," "Selected Servest UK Historical Consolidated Financial Data," "Unaudited Pro Forma Combined Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Servest UK."

CONSOLIDATED PROFIT OR LOSS DATA:

	For the year ended September 30,			For the three months ended December 31,		For the twelve months ended December 31,
	2015	**2016**	**2017**	**2016**	**2017**	**2017**
	£ in millions					
				(unaudited)		(unaudited)
Revenue	239.5	284.0	456.8	114.2	115.9	458.5
Cost of sales	(195.3)	(233.8)	(373.9)	(99.1)	(97.7)	(372.5)
Gross profit	**44.2**	**50.2**	**82.9**	**15.1**	**18.2**	**86.0**
Administrative expenses(1)	(33.9)	(42.9)	(79.8)	(19.7)	(17.2)	(77.3)
Operating profit/(loss)	**10.4**	**7.3**	**3.1**	**(4.6)**	**1.0**	**8.7**
Share of net loss in associate	—	—	(2.6)	—	(4.2)	(6.8)
Finance income	—	0.1	0.1	—	0.1	0.2
Finance costs(2)	(7.7)	(8.7)	(26.9)	(10.5)	(4.7)	(21.1)
Profit/(loss) before taxation	**2.7**	**(1.3)**	**(26.3)**	**(15.1)**	**(7.8)**	**(19.0)**
Taxation	0.8	0.6	2.2	0.6	0.2	1.8
Profit/(loss) for the period	**3.5**	**(0.7)**	**(24.1)**	**(14.5)**	**(7.6)**	**(17.2)**
Attributable to:						
Owners of the parent	2.6	(0.5)	(19.8)	(11)	(7.0)	(15.8)
Non-controlling interests	0.9	(0.2)	(4.3)	(3.5)	(0.6)	(1.4)
	3.5	(0.7)	(24.1)	(14.5)	(7.6)	(17.2)

(1) Administrative expenses include non-underlying items. Non-underlying items of £16.7 million, £0.8 million, (£1.8) million, £1.6 million, £8.5 million and £9.8 million are included in fiscal year 2017/16, fiscal year 2016/15, fiscal year 2015/14, the three months ended December 31, 2017, the three months ended December 31, 2016 and the twelve months ended December 31, 2017, respectively. (2) Finance Costs include non-underlying items of £10.3 million, £0.0 million, £0.0 million, (£1.0) million, £7.0 million and £2.3 million in fiscal year 2017/16, fiscal year 2016/15, fiscal year 2015/14, and the three months ended December 31, 2017, the three months ended December 31, 2016 and the twelve months ended December 31, 2017, respectively.

CONSOLIDATED STATEMENT OF CASH FLOW DATA:

	For the year ended September 30,			For the three months ended December 31,	
	2015	2016	2017	2016	2017
	£ in millions				
				(unaudited)	
Net cash inflow/(outflow) from operating activities	**0.2**	**(1.6)**	**(4.8)**	**(10.0)**	**(14.2)**
Net cash outflow from investing activities	**(19.3)**	**(9.6)**	**(61.1)**	**(39.0)**	**(4.1)**
Net cash inflow/(outflow) from financing activities	7.7	(2.7)	63.1	46.5	(0.6)
Net decrease in cash and cash equivalents	(11.4)	(13.9)	(2.8)	(2.5)	(18.9)
Cash and cash equivalents at period start	27.3	16.0	2.1	2.1	(0.7)
Net cash and cash equivalents at period end	**16.0**	**2.1**	**(0.7)**	**(0.4)**	**(19.6)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA:

	As of September 30,			As of December 31,
	2015	2016	2017	2017
				£ in millions(unaudited)
Assets				
Non-current assets				
Other intangible assets	21.6	18.6	25.3	24.0
Goodwill	46.7	47.5	79.5	79.5
Property, plant and equipment	18.5	20.9	25.2	30.9
Investments	—	—	8.0	3.9
Defined benefit pension asset	0.7	—	—	—
Long term receivables	—	—	5.0	5.1
Total non-current assets	**87.5**	**87.0**	**143.0**	**143.4**
Current assets				
Inventories	4.4	5.1	10.7	7.0
Trade receivables	27.5	31.1	60.8	68.3
Other receivables	16.8	22.1	22.6	33.7
Income tax repayable	—	0.2	1.8	1.6
Cash and cash equivalents	16.0	2.1	8.8	1.7
Total current assets	**64.6**	**60.6**	**104.7**	**112.3**
Total assets	**152.1**	**147.6**	**247.7**	**255.7**
Liabilities				
Non-current liabilities				
Loans and borrowings	70.2	70.7	129.6	132.1
Trade and other payables	1.4	—	4.9	—
Finance leases	4.9	3.4	0.1	5.4
Deferred tax	4.6	3.9	4.0	3.6
Total non-current liabilities	**81.1**	**78.0**	**138.6**	**141.1**
Current liabilities				
Loans and borrowings	—	—	25.8	38.4
Trade and other payables	39.4	39.3	79.6	80.5
Income tax payable	0.1	—	—	—
Finance leases	2.5	2.6	0.2	0.2
Total current liabilities	**42.0**	**41.9**	**105.6**	**119.1**
Total liabilities	**123.1**	**119.9**	**244.2**	**260.2**
Total assets and liabilities	**29.0**	**27.7**	**3.5**	**(4.5)**
Equity				
Share capital	16.4	16.4	16.4	16.4
Retained earnings	4.9	3.6	(14.5)	(21.9)
Equity reserve	—	0.5	—	—
Equity attributable to owners of the parent	**21.2**	**20.5**	**1.9**	**(5.5)**
Non-controlling interest	**7.8**	**7.2**	**1.6**	**1.0**
Total equity	**29.1**	**27.7**	**3.5**	**(4.5)**

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

Overview

On April 6, 2018, the Company entered into the Share Purchase Agreement with the Sellers to acquire the entire share capital of Servest Limited.

On the Completion Date, the Company will (directly or indirectly) pay €611 million equivalent (treating the €17.0 million Loan Note Equity Contribution as payment) equivalent to fund the purchase price of the Acquisition and to repay all amounts outstanding under Servest UK's external facilities, other than the Lloyds Card Facilities. The consideration relating to the Acquisition of the entire issued share capital of Servest Limited will be paid principally in the form of cash. In addition, certain of the Rollover Managers will receive loan notes in the amount of €17.0 million which are intended to be converted into newly issued shares of the Company.

A company beneficially owned by Mr. Kenton Fine and certain members of Servest UK senior management will also invest €20.0 million in cash within 30 business days after the Completion Date in exchange for newly issued shares in the Company. After the Equity Contribution, members of Servest UK senior management and Mr. Kenton Fine will own, directly or indirectly, approximately 3.0% of the outstanding shares of the Company in the aggregate.

Basis of preparation

The following unaudited pro forma combined financial information for the twelve months ended December 31, 2017 (the "Pro Forma Financial Information") has been prepared in accordance with the basis of preparation set out below.

This Pro Forma Financial Information for the twelve months ended December 31, 2017 has been prepared by taking the Atalian Group 2017/16 Audited Consolidated Financial Statements as described in note 2.3 thereto and applying pro forma adjustments to give effect to the Acquisition and related financings as if they had occurred on January 1, 2017 with respect to the unaudited pro forma consolidated income statement, and as of December 31, 2017 with respect to the unaudited pro forma consolidated statement of financial position.

As of the date of this document, we have not performed the preliminary valuation studies necessary to estimate the fair value of the assets acquired and liabilities assumed in connection with the Acquisition and complete the preliminary purchase price allocation. As a result, any difference between (a) the total consideration paid in connection with the Acquisition and (b) the fair values of the identifiable assets acquired and assumed liabilities have been fully allocated to goodwill. The final purchase price allocation will be performed following the Completion Date and will address all identifiable assets acquired and liabilities assumed in accordance with IFRS 3 *Business Combinations*. The determination of the fair values of the identifiable assets acquired and assumed liabilities may result in the recognition of certain assets, which will be amortized over the course of their finite useful lives. As a result, our future results of operations may be materially affected by amortization expenses in relation to such identifiable assets acquired.

The Pro Forma Financial Information set forth in this document is based upon available information and certain preliminary estimates and assumptions that we believe to be reasonable. This Pro Forma Financial Information has been prepared solely for the purposes of this document, has been prepared for informational purposes only, should not be considered indicative of actual results that would have been achieved had the Acquisition and related financings been completed on the dates indicated and does not purport to predict our results of operations for any future periods.

We describe the assumptions underlying adjustments to the unaudited Pro Forma Financial Information in the accompanying notes, which form part and should be read in conjunction with this Pro Forma Financial Information. The Pro Forma Financial Information and related adjustments are based upon available information and certain preliminary estimates and assumptions that we believe are reasonable. We have performed a preliminary review of accounting principles and policies as applied by Servest UK to determine whether any adjustments or reclassifications to its historical financial information were necessary to align with the accounting policies of the Atalian Group, to ensure consistency with the classification of equivalent transactions in the Atalian Group Audited Consolidated Financial Statements and comparability in the Pro Forma Financial Information, and concluded that there were no material differences impacting the financial information as a whole other than the capitalization of uniform costs by the Atalian Group as described in more detail in footnote (3) to the table below.

The pro forma adjustments (i) give effect to events that can be directly attributed to the Acquisition and related financings, and (ii) can be factually supported and reliably estimated as of the date hereof. The Pro Forma Financial Information does not take into account any future changes in accounting policies or reflect any cost savings or other synergies which may result from the Acquisition, nor does it reflect any special items such as payments or other losses resulting from counterparties' exercise of termination or other rights pursuant to contractual change of control provisions, or restructuring and integration costs which may be incurred as a result of the Acquisition.

The Pro Forma Financial Information has not been prepared in accordance with the requirements of Article 11 of Regulation S-X as promulgated by the SEC or the requirements of the EU Prospectus Directive. Neither the adjustments nor the related pro forma financial information has been audited in accordance with U.S. GAAS or any other applicable auditing standards.

Unaudited Pro Forma Combined income statement for the 12-month period ended December 31, 2017

	For the 12-month period ended December 31, 2017			
In € million	**Atalian[1]**	**Servest[2]**	**Adjustments**	**Total**
Revenue	**2,028.5**	**522.6**	**—**	**2,551.1**
Purchases consumed	(443.9)	(100.7)	—	(544.6)
External charges[3]	(122.3)	(72.4)	1.0	(193.7)
Personnel costs	(1,307.9)	(339.5)	—	(1,647.4)
Taxes other than on income	(29.4)	0.0	—	(29.4)
Other recurring operating income and expenses	11.5	21.0	—	32.5
EBITDA	**136.5**	**31.0**	**1.0**	**168.5**
Depreciation and amortization	(39.3)	(22.1)	(1.0)[3]	(62.4)
Provisions and impairment losses, net	(16.0)	0.9	—	(15.2)
Operating profit	**81.1**	**9.8**	**0.0**	**90.9**
Financial income	0.7	0.3	—	1.0
Finance expenses	(52.8)	(24.1)	(12.3)[4]	(89.2)
Finance costs, net	**(52.1)**	**(23.8)**	**(12.3)**	**(88.2)**
Other financial income and expenses	(2.5)	0.0	—	(2.5)
Net financial expense	**(54.6)**	**(23.8)**	**(12.3)**	**(90.7)**
Income tax expense	(16.6)	2.1	—	(14.5)
Share of profit (loss) of equity-accounted companies	0.2	(7.7)	—	(7.5)
Net profit (loss) for the period	**10.2**	**(19.6)**	**(12.3)**	**(21.8)**

(1) The Atalian Group income statement information for the twelve months ended December 31, 2017 has been derived from note 2.3 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

(2) The Servest income statement information for the twelve months ended December 31, 2017 has been determined using the Servest UK 2017/16 Audited Consolidated Financial Statements, to which we added the unaudited income statement information for the three months ended December 31, 2017, as derived from the Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements and subtracted the unaudited income statement for the three months ended December 31, 2016, as derived from the Servest UK 2017 Unaudited Interim Condensed Consolidated Financial Statements, based on the average exchange rate in effect during the 12-month period ended December 31, 2017 of £1.00 per €1.14. The Servest UK 2017/16 Audited Consolidated Financial Statements were prepared in accordance with IFRS and the Servest 2017 Unaudited Interim Condensed Consolidated Financial Statements were prepared in accordance with IAS 34, and both are included elsewhere in this document.

(3) The impact on EBITDA of applying the accounting policy of the Atalian Group regarding the capitalization of uniform costs to the historical financial information of Servest UK. This adjustment led to a €1.0 million decrease in external charges and the recognition of a corresponding amortization expense for uniform costs in the unaudited pro forma combined income statement. This adjustment had a positive impact of €1.0 million on the combined EBITDA. Atalian Group's management has carried out an analysis of the differences between the significant accounting policies of the Atalian Group and those of Servest UK and concluded that, other than the capitalization of uniform costs, there were no other material differences in significant accounting policies impacting the income statement.

(4) The financing impact consisting of the repayment by the Atalian Group of certain loans and borrowings in place at Servest UK prior to the Completion Date. The financings that will lead to a total increase in finance expenses in an estimated amount of € 33.6 million for the 12-month period ended December 31, 2017. Such increase in finance costs was offset by the cancellation of the finance expenses incurred by Servest UK during the 12-month period ended December 31, 2017 corresponding to the interests payable on the loans and borrowings of Servest UK that will be repaid in connection with the Acquisition and related financings. Also reflects a deferred financing fees expense has been estimated at € 2.9 million and corresponds to amortized debt issuance costs.

Unaudited Pro Forma Combined statement of financial position as of December 31, 2017

	As of December 31, 2017				
€ in millions	**Atalian[(1)]**	**Servest[(2)]**	**Adjustments**	**Other Adjustments[(7)]**	**Total**
Assets					
Goodwill	608.4	89.8	345.2[(3)]	—	1,043.5
Intangible assets	21.3	27.1	—	—	48.4
Property, plant and equipment	85.7	35.0	—	—	120.7
Other non-current financial assets	18.3	10.1	—	—	28.4
Deferred tax assets	62.1	—	—	—	62.1
Non-current assets	**795.8**	**162.1**	**345.2**	**—**	**1,303.1**
Inventories	5.9	7.9	—	—	13.8
Prepayment to suppliers	3.5	10.2	—	—	13.7
Trade receivables	387.9	77.2	—	—	465.1
Current tax assets	4.7	1.8	—	—	6.5
Other receivables	239.1	27.9	—	—	267.0
Cash and cash equivalents	144.5	1.9	308.0[(4)]	(192.9)	261.6
Current assets	**785.7**	**126.9**	**308.0**	**(192.9)**	**1,027.7**
Total assets	**1 581.5**	**289.0**	**653.2**	**(192.9)**	**2,330.8**
Equity and liabilities					
Equity					
Share capital	112.7	18.5	18.5[(3)(5)]	—	149.7
Share premium and other reserves	(16.9)	—	—	—	(16.9)
Translation reserves	(13.7)	—	—	—	(13.7)
Retained earnings	0.0	(16.8)	16.8[(3)]	—	0.0
Net income for the period	11.2	(7.9)	7.9[(3)]	—	11.2
Equity attributable to owners of the Company	**93.4**	**(6.2)**	**43.2**	**—**	**130.4**
Non-controlling interests	50.0	1.3	—	—	51.9
Total Equity	**143.4**	**(4.9)**	**43.2**	**—**	**181.7**
Non-current financial liabilities	636.2	149.3	610.0[(6)]	(149.3)	1,246.2
Non-current provisions	27.9	6.1	—	—	34.0
Deferred tax liabilities	2.3	4.0	—	—	6.4
Non current financial liabilities	**666.4**	**159.4**	**610.0**	**(149.3)**	**1,286.5**
Customers prepayment	3.7	1.0	—	—	4.7
Current portion of financial liabilities	25.7	43.6	—	(43.6)	25.7
Current tax liabilities	8.3	14.7	—		23.0
Trade payables	198.4	21.4	—	—	219.7
Short-term provisions	17.9	—	—	—	17.9
Liabilities related to payroll tax credit prefinancing	129.9	—	—	—	129.9
Other current liabilities	386.4	53.8	—	—	440.2
Bank overdrafts and other cash position items	0.2	—	—	—	0.2
Financial instruments	1.3	—	—	—	1.3
Current liabilities	**771.6**	**134.5**	**0.0**	**(43.6)**	**862.5**
Total equity and liabilities	**1,581.5**	**289.0**	**653.2**	**(192.9)**	**2,330.8**

(1) Represents the consolidated balance sheet of the Atalian Group as of December 31, 2017 as per the Atalian Group 2017/16 Audited Consolidated Financial Statements.

(2) Represents the consolidated balance sheet of Servest UK as of December 31, 2017 as per the Servest UK 2017/16 Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this document, based on the exchange rate in effect as of December 31, 2017 of £1.00 per €1.13.

(3) The Acquisition goodwill adjustment resulting from the application of the estimate and assumptions underlying the pro forma adjustments as described herein. For the purpose of the Pro Forma Financial Information, goodwill has been calculated as the difference between (a) the purchase consideration transferred for the acquisition of 100% of the shares of Servest Limited for an amount of €339.0 million (in accordance with the terms of the Share Purchase Agreement), based on the exchange rate in effect on December 31, 2017 of £1.00 per €1.13 and (b) the net assets acquired of Servest UK as of December 31, 2017 of €(6.2) million. A corresponding decrease was reflected in Equity for an amount €(6.2) million. Such calculation of goodwill does not reflect the full allocation of the purchase consideration to the assets acquired and liabilities assumed and has been made solely for the purpose of preparing the unaudited combined pro forma statement of financial position. The determination of the amount of goodwill is preliminary and is subject to revision based on a final determination of fair value, which will only be performed following the Completion Date and following extensive valuation studies. Hence, the final goodwill may consequently differ materially from the amount reflected in the Pro Forma Financial Information.

(4) The impact of (a) the €20.0 million Cash Equity Contribution, (b) the financings to be used for the repayment of certain amounts outstanding under Servest UK and its subsidiaries' external facilities in an aggregate amount of €272.0 million and (c) €16.0 million of financings.

(5) The €20.0 million Cash Equity Contribution and the €17.0 million Loan Notes Equity Contribution.

(6) The financings to be used for the acquisition of the shares of Servest Limited in accordance with the Share Purchase Agreement.

(7) The unaudited pro forma combined statement of financial position also reflects other adjustments in Cash and cash equivalents including a decrease in Non-current financial liabilities of €149.3 million and a decrease in Current portion of financial liabilities of €43.6 million and representing the impact of the repayment by Servest UK of the amounts outstanding under Servest UK's external facilities upon completion of the Acquisition. The Cash and cash equivalents balance of €261.6 million includes an amount of €79.1 million, which correspond to Servest UK's subsidiaries' external facilities to be repaid upon completion of the Acquisition and €16.0 million of the proceeds of the financings.

Unaudited Adjusted Pro Forma Condensed Combined Financial Information related to other acquisitions

Overview

This section presents the impact on revenue and EBITDA of acquisitions that were completed by the Atalian Group during the period ended December 31, 2017 and acquisitions that were completed by the Atalian Group and Servest UK on or after January 1, 2018. Such acquisitions being less significant in nature than the Acquisition, and in order to present a full period impact of these acquisitions for the twelve-month period ended December 31, 2017 as if these acquisitions had occurred on January 1, 2017, we present the following Pro forma condensed table for revenue and EBITDA.

Basis of preparation

The following unaudited pro forma condensed combined financial information for the twelve months ended December 31, 2017 (the "Pro Forma condensed table for Revenue and EBITDA") has been prepared in accordance with the basis of preparation set out below.

This Pro Forma condensed table for Revenue and EBITDA has been prepared by taking the unaudited Pro Forma Financial Information as included herein and adjusting such data to give effect to:

(i) the Atalian Group acquisitions of companies for which the financial results were partially consolidated with the financial results of the combined group during the period from January 1, 2017 through December 31, 2017 as if the results of these acquired companies had been consolidated from January 1, 2017;

(ii) the Atalian Group acquisitions of companies that have been completed, or companies for which we have entered into an agreement to acquire, on or after January 1, 2018 as if these companies had been acquired and their financial results had been consolidated with the financial results of the Atalian Group from January 1, 2017;

(iii) Servest UK acquisitions of companies that have been completed, or companies for which they have entered into an agreement to acquire, on or after January 1, 2018 as if these companies had been acquired and their financial results had been consolidated with the financial results of the Atalian Group from January 1, 2017; and

(iv) certain adjustments with regard to the alignment of the acquired companies accounting polices to historical financial information to the Atalian Group accounting, policies mainly as it refers to the uniform costs and CVAE which have on impact on EBITDA

(v) certain adjustments relating to restructuring and operational cost savings measures implemented and/or agreed plans with respect to companies that were acquired after January 1, 2018.

The Pro Forma Condensed Table for Revenue and EBITDA set forth in this document is based upon available information and certain preliminary estimates and assumptions that we believe to be reasonable. This Pro Forma Condensed Table for Revenue and EBITDA has been prepared solely for the purposes of this document, has been prepared for informational purposes only, should not be considered indicative of actual results that would have been achieved had the acquisitions been completed on the dates indicated and does not purport to predict our results of operations for any future periods.

We describe the assumptions underlying adjustments to the Pro Forma Condensed Table for Revenue and EBITDA in the accompanying notes, which form part and should be read in conjunction with this Unaudited Pro Forma Condensed Combined Financial Information. The Pro Forma Condensed Table for Revenue and EBITDA and related adjustments are based upon available information and certain preliminary estimates and assumptions that we believe are reasonable. We have performed a preliminary review of accounting principles and policies as applied by the acquired entities to determine whether any adjustments or reclassifications to their historical financial information were necessary to align with the accounting policies of the Atalian Group, to ensure consistency with the classification of equivalent transactions in the Atalian Group Audited Consolidated Financial Statements and comparability in the Pro Forma Condensed Table for Revenue and EBITDA and concluded that there were no material differences impacting revenue or EBITDA other than those described in the footnotes to the table below. Therefore, we have not made any adjustments in compiling the Condensed Table for Revenue and EBITDA to reflect differences in accounting principles between the acquired companies and the Atalian Group. The Condensed Table for Revenue and EBITDA represents best estimates based upon the information available to date and are subject to change once more detailed information is obtained and more detailed analysis of accounting principles and policies for acquired entities is performed.

€ in million	Revenue	EBITDA
Pro forma Atalian and Servest—for the year ended December 31, 2017[(1)]	**2,551.1**	**168.5**
Full period impact of Atalian's acquired companies during 2017[(2)]	109.6	7.4
Companies that Atalian has acquired on or after January 1, 2018[(3)]	115.8	6.8
Companies that Servest has acquired on or after January 1, 2018[(4)]	135.5	7.5
Accounting policy alignment[(5)]	—	0.4
Income tax expense adjustments[(6)]	—	0.6
Implemented costs rationalizations[(7)]	—	5.1
Pro forma for the year ended December 31, 2017	2,912.0	196.3

(1) Pro forma revenue and EBITDA for the Atalian Group after giving effect to the Acquisition and related financings as if they had occurred on January 1, 2017, as per the full unaudited pro forma combined income statement above.

(2) The impact of the Atalian Group acquisition of the following companies, as if the financial results of each acquired company had been consolidated within the financial results of the combined group from January 1, 2017:

Acquired companies	Date of first consolidation
Aetna Building Maintenance Inc	June 1, 2017
Facilicom Services Group France SA	July 1, 2017
APS Holding	
APS Formation	
GOM	
Financière Des Services	
VPS	
Suburban Integrated Facilities	July 1, 2017
Suburban Building Services Group Inc.	
Suburban Contract Cleaning Inc.	
Suburban Mechanical Services Inc	
OMNI Services Ohio Inc	
Suburban Contract CleaningServices of Pensylvania Inc	
Braintree Building Services of RI Inc	
Centaur Building Services	August 1, 2017
Centaur Building Services Inc	
Centaur Building Southeast Inc	
Corporate Maintenance Management Services LLC	
Axess	January 1, 2018

For purposes of the pro forma adjustments, the revenue and EBITDA of these businesses is calculated as follows:

- for Aetna Building Maintenance Inc, based on its income statement as reported in their unaudited management accounts for the five-month period ended May 31, 2017;
- for APS Holding and subsidiary businesses, based on their income statements as reported in their unaudited management accounts for the six-month period ended June 30, 2017;
- for Suburban and subsidiary businesses, based on their income statements as reported in their unaudited management accounts for the six-month period ended June 30, 2017;
- for Centaur and subsidiary businesses, based on their income statements as reported in their unaudited management accounts for the seven-month period ended June 30, 2017; and
- for Axess, based on its income statement as reported in their unaudited management accounts for the twelve month period ended December 31, 2017.

(3) The impact of the Atalian acquisitions for which we have entered into acquisition agreements on or after January 1, 2018, as if they had each been acquired and each of their financial results had been consolidated within the financial results of the combined group from January 1, 2017:

- BBA, (France) a business specializing in cleaning services in April 2018;
- Limpa Nettoyages, Val de France Propreté (France), two businesses specializing in cleaning services, in April 2018.
- NET 38 (France), a business specializing in cleaning services, in March 2018;
- PS Guard Holding (Thailand), a business specializing in security services, in March 2018;
- PSS Cleaning and Service Co. Ltd (Thailand), a business specializing in cleaning services, in March 2018;

- Solar Cleaning Services NV (Belgium), a business specializing in cleaning services, in March 2018;

- International Cleaning Technology and Trading Company Limited (Vietnam), a business specializing in cleaning services in which we acquired a 60% interest, in March 2018;

- Green Kitchen (Belgium), a business specializing in catering services, in which we acquired a 51% interest, in March 2018; and

- Sibes (Belgium), a business specializing in technical maintenance services, in which we acquired a 51% interest, in March 2018;

Unless otherwise indicated above, we acquired the entire share capital of these companies.

The adjustments are calculated based on the revenue and EBITDA of these entities for 2017, derived as follows:

- For Green Kitchen, Sibes, PS Guard Holding, PSS Cleaning and Service Co. Ltd, Limpa Nettoyages, Val de France Propreté and BBA based on revenue and EBITDA between January 1, 2017 and December 31, 2017, from unaudited management accounts, with EBITDA being calculated as the profit before tax, adjusted to exclude finance costs, impairment and depreciation expenses;

- For Net 38 and Solar Cleaning Services NV, based on revenue and EBITDA between October 1, 2016 and September 30, 2017, from unaudited management accounts, with EBITDA being calculated as the profit before tax, adjusted to exclude finance costs, impairment and depreciation expenses; and

- For International Cleaning Technology and Trading Company Limited, based on revenue and EBITDA as reported in the unaudited management accounts for the fiscal year ended December 31, 2017, with EBITDA being calculated as the profit before tax, adjusted to exclude finance costs, impairment and depreciation expenses.

(4) This adjustment reflects the revenue impact of the acquisition by Servest UK of the shares of the following companies, which were completed or for which acquisition agreements were entered into on or after January 1, 2018, as if they had been acquired and each of their financial results had been consolidated within the financial results of the Atalian Group from January 1, 2017, based on their revenue and EBITDA as reported in their unaudited management accounts for the twelve months ended December 31, 2017: (i) Aktrion Holdings Limited, with an impact on EBITDA for an amount of €4.7 million and on revenue for an amount of €102.1 million, (ii) Thermotech Solutions Limited (which has not been completed as of the date hereof), with an impact on EBITDA for an amount of €2.4 million and on revenue for an amount of €20.3 million, and (iii) Unique Catering and Management Services Limited (which has not been completed as of the date hereof), with an impact on EBITDA for an amount of €1.3 million and on revenue for an amount of €13.0 million.

(5) This adjustment reflects the impact on EBITDA of applying the accounting policy regarding the capitalization of uniform costs to the historical financial information of the other acquired or to be acquired companies after January 1, 2018. This adjustment had a positive impact of €0.4 million in our EBITDA.

(6) Income tax expense adjustments to reflect the impact on income tax expense of applying our accounting policy regarding the classification of the French value added business tax (“CVAE”) under IFRS.

We have elected to classify the CVAE as an income tax and therefore, to recognize the CVAE expense under the “Income tax expense” line item in the combined consolidated statement of profit or loss. Certain acquired companies recognized the CVAE as an operating expense. This adjustment is made in order to align the historical financial information of those acquired companies with our accounting policies. This adjustment is mainly composed of a €0.6 million increase of income tax expense in relation to the acquisition of Limpa.

(7) This adjustment reflects the annual impact of run-rate operating costs rationalization measures at Limpa for €1.6 million, Val de France Propreté for €0.1 million, Net 38 for €0.2 million, Solar for €0.1 million, Green Kitchen for €0.1 million and BBA for €1.8 million with respect to which cost-synergies transformation plans have been fully implemented or agreed on or before the date of this document, as if these plans had been implemented since January 1, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ATALIAN GROUP

The following discussion should also be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of the Company and its subsidiaries as of and for the sixteen months ended December 31, 2017 (including the consolidated income statement information for the twelve months ended December 31, 2017 included in note 2.3 of the notes thereto) (the "Atalian Group 2017/16 Audited Consolidated Financial Statements"), the audited consolidated financial statements of the Company and its subsidiaries as of and for the twelve months ended August 31, 2016 and 2015 (the "Atalian Group 2016/15 Audited Consolidated Financial Statements" and "Atalian Group 2015/14 Audited Consolidated Financial Statements," respectively) and the unaudited interim condensed consolidated financial information as of and for the four months ended December 31, 2016 and 2015 ("Atalian Group Unaudited Interim Condensed Consolidated Financial Information"), in each case prepared in accordance with IFRS as adopted by the European Union and the related notes.

The following discussion includes forward looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward looking statements as a result of many factors described elsewhere in this document.

Overview

We are a leading independent provider of outsourced building services. As at December 31, 2017, we operated in 31 countries, including France, our principal market, serving a diverse range of more than 28,000 customers in the private and public sector. Originally established in 1944 as a provider of cleaning services in France, we began transforming ourselves into a multi-disciplinary provider of outsourced building services in 1999. Our comprehensive multi-service and multi-technical offering covers many market segments for outsourced building services. We provide our services by relying primarily on in-house expertise and resources. With an average headcount of 72,588 FTE employees and over 180 offices worldwide (over 100 of which are in France) in 2017, we are an important provider of various types of outsourced building services in each of the countries in which we operate.

We have experienced growth in recent years mainly through the acquisition both inside and outside of France of companies with services, expertise and geographical scope that are complementary to our own but also organically. In particular, in France, we significantly expanded our operations through the acquisitions in 2009 of Véolia Propreté Nettoyage et Multiservices ("VPNM"), a cleaning services provider with a significant portfolio of large corporate customers, and Eurogem, a multi-service provider of outsourced building services. Our expansion in France since 2014 included the acquisition of various entities specializing in cleaning services, including Vitsolnet, HEI, Net'Express, Facilicom Services Group France SA ("Facilicom"), a French wholly owned subsidiary of the Dutch Facilicom group, and Clean Residences. Our acquisitions have allowed us to expand our service offering and expertise to include a broad range of outsourced building services. For instance, we acquired expertise in safety and security services through our acquisition of Lancry in 1977 and in energy cost management through our acquisition of a 51% stake in Ergelis in 2014.

We have also used the business model developed in France to significantly grow our presence in international markets outside France, both in response to, and in anticipation of, our clients' needs. Since 2003, we have acquired 274 companies in 30 countries (excluding France). Since 2015, we acquired companies in the United States, Central and Eastern Europe and Turkey and expanded our operations into Southeast Asia and North and West Africa. In particular, in January 2016, we acquired Temco Service Industries, Inc. ("Temco"), a company providing cleaning and facility management services to clients in Europe and the United States, in order both to expand our European presence and to gain a foothold in the U.S. market. In 2017, we further expanded our presence in the United States with the acquisition of Aetna Building Maintenance Inc. ("Aetna") and Centaur, two companies offering cleaning services, and Suburban Integrated Facilities ("Suburban") a company specializing in cleaning and technical maintenance services. We also acquired Cleaning Express Pte. Ltd. ("Cleaning Express") and a 26% stake in Ramky International (Singapore) Pte. Ltd. ("Ramky") in 2017, two companies providing cleaning services in Singapore, as well as other companies providing cleaning and security services in Russia and the Netherlands. We believe that the breadth of our service offering, together with our geographic footprint, provide us with a solid foundation for our long-term strategy of becoming a leading global provider of outsourced building services.

In 2017, we had total revenue of €2,028.5 million, EBITDA of € 136.5 million and profit for the period of €10.2 million.

Financial Information

Change in our fiscal year end from August 31 to December 31 starting December 31, 2017

On October 26, 2016, we changed our fiscal year end from August 31 to December 31, starting December 31, 2017, to reflect the Company's current expansion strategy and to facilitate the integration of acquired businesses. As a result, the fiscal period ended December 31, 2017 comprises a 16-month period, which is not directly comparable to our previous fiscal year ended August 31, 2016 included as the comparative period thereto in the Atalian Group Audited Consolidated Financial Statements as of and for the sixteen months ended December 31, 2017.

In an effort to provide a more complete analysis of the results of our business during the period under review, this analysis discusses the following:

- a comparison of our results of operations for the twelve months ended December 31, 2017 (as set forth in note 2.3 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements) with our results of operations for the twelve months ended December 31, 2016 (as calculated using the Atalian Group 2016/15 Audited Consolidated Financial Statements, to which we added the financial information for the four months ended December 31, 2016 and subtracted the financial information for the four months ended December 31, 2015, both as derived from the Atalian Group Unaudited Interim Condensed Consolidated Financial Information);

- a comparison of our results of operations for the four months ended December 31, 2016 with our results of operations for the four months ended December 31, 2015, each as included in the Unaudited Interim Condensed Consolidated Financial Statements; and

- a comparison of our results of operations for the twelve months ended August 31, 2016 with our results of operations for the twelve months ended August 31, 2015, each as included in the Atalian Group 2016/15 Audited Consolidated Financial Statements.

References in this discussion and analysis of our financial conditions and results of operations to "2017" and "2016" refer to the twelve months ended December 31, 2017 and December 31, 2016, respectively.

Restatements of certain of the Atalian Group Audited Consolidated Financial Statements

This discussion and analysis of our financial conditions and results of operations has been prepared on the basis of our restated Audited Consolidated Financial Statements. The statements of financial position for fiscal year 2016/15 and fiscal year 2015/14 were restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Information, in connection with the reinvoicing of expenses outside the Atalian Group. The nature and the impact of these corrections is explained in note 2.4 of the notes to the Atalian Group Unaudited Interim Condensed Consolidated Financial Information. The correction of these errors resulted in an increase of €1.2 million in total equity and a corresponding €1.2 million increase in trade receivables in fiscal year 2015/14 and an increase of €1.7 million in total equity and a corresponding € 1.7 million increase in trade receivables in fiscal year 2016/15. The statement of financial position for fiscal year 2016/15 was further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements. The correction of these errors resulted in a decrease of €1.7 million in total equity and a corresponding increase of €1.7 million in trade receivables, an increase of €2.2 million in trade payables, an increase of € 1.2 million in other current liabilities, an increase in revenue of € 0.5 million and an increase in external charges of €2.2 million in fiscal year 2016/15.

Our restated Audited Consolidated Financial Statements differ from our historical Audited Consolidated Financial Statements set forth in this document.

Management financial measures

We use EBITDA to analyze our results of operations. As discussed in more detail under "*Presentation of Financial and Other Information—Other Financial Measures*," we define EBITDA as operating profit, as reported in our Consolidated Financial Statements, adjusted to exclude the following line items, each of which is as reported in our Consolidated Financial Statements: depreciation and amortization, net; and provisions and impairment losses, net. EBITDA corresponds to the line item "Recurring operating profit before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2015/14 Audited Consolidated Financial Statements and to the line item "Operating income before depreciation, amortization, provisions and impairment losses" in the Atalian Group 2017/16 Audited Consolidated Financial Statements and the Atalian Group 2016/15 Audited Consolidated Financial Statements. For consistency, we refer to this line item as EBITDA throughout this document (excluding the Atalian Group Audited Consolidated Financial Statements).

EBITDA is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. We believe that the inclusion of EBITDA in this document is useful to investors because it provides investors the same information that we use internally for purposes of assessing our operating performance. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations. Because not all companies calculate EBITDA identically, this presentation of EBITDA may not be comparable to the similarly titled measure of other companies.

Overview of reporting segments

We have three reporting segments under IFRS, namely, Cleaning, Facility Management and International. The revenue for each of our reporting segments for 2017 was as follows:

- *Cleaning:* In 2017, our Cleaning segment generated €775.9 million of revenue, or 38.2% of our revenue.
- *Facility Management:* In 2017, our Facility Management segment generated €420.3 million of revenue, or 20.7% of our revenue. This segment comprises the activities of the following businesses:
    - Our multi-technical and multi-service business, which generated € 168.8 million, or 40.2% of our Facility Management segment revenue, in 2017.
    - Our safety and security business, which generated €165.0 million of revenue, or 39.3% of our Facility Management segment revenue, in 2017.
    - Our landscaping business, which generated €74.6 million of revenue, or 17.7% of our Facility Management segment revenue, in 2017.
    - Our painting business, which generated €11.9 million of revenue, or 2.8% of our Facility Management segment revenue, in 2017.
- *International:* In 2017, our International segment generated €844.9 million of revenue, or 41.7% of our revenue.

In our audited consolidated financial statements, we present in our segment information an additional item labeled "Other," which includes the activities of our holding companies, such as group-level management of finance, legal, accounting, procurement, human resources, fiscal and customer relations matters. The "Other" item principally consists of the elimination of intragroup Acquisition and related financings in consolidation, the costs incurred by our holding companies, including personnel costs, rental costs incurred on behalf of our operating companies, overhead and administrative costs, such as consulting and legal fees, advertising costs and other administrative costs such as mailing, reception and maintenance costs.

Management fees of €36.6 million, €41.0 million, and € 45.4 million were invoiced by our holding companies to our operating companies in fiscal year 2015/14, 2016 and 2017, respectively. We discuss EBITDA for each of our three reporting segments after excluding intercompany charges for management fees, which are also eliminated when preparing our Consolidated Financial Statements.

Change in accounting policies affecting the comparability of Consolidated Financial Statements

In fiscal year 2015/14, we recorded all reversals of provisions under the same line item as the original provision (*i.e.*, Provisions and impairment losses, net). In fiscal year 2016/15, in accordance with ANC (the *Autorité des Normes Comptables*) Recommendation No. 2013-03 of November 7, 2013, we recorded all reversals of provisions as revenue under the corresponding line items (such as External charges, Personnel costs or Other recurring operating income and expenses). This change in accounting policies had a favorable impact (with no cash impact) on our consolidated income statement comprising as follows: €3.5 million, €3.6 million and €9.9 million impact on External charges, Personnel costs and Other recurring operating income and expenses, respectively, in 2016, and €1.3 million, €7.8 million and

€8.8 million impact on External charges, Personnel costs and Other recurring operating income and expenses, respectively, in 2017. The €9.9 million and €8.8 million impact on Other recurring operating income and expenses, in 2016 and 2017, respectively, was recorded as a reversal of provisions for bad debts relating to an aggregate of trade receivables overdue for more than four years. The consolidated income statement for fiscal year 2015/14 was not restated. As a result, our results of operations for fiscal year 2015/14 may not be directly comparable to the other periods presented in this discussion and analysis of our financial conditions and results of operations.

Factors Affecting Our Results of Operations

Set forth below are certain key factors that have historically affected our results of operations and that may impact our results of operations in the future.

General economic conditions

Demand and prices for our services are affected by economic conditions, including increases or decreases in gross domestic product, in the countries in which we operate. According to the INSEE, the real GDP growth rate in terms of volume in France, our principal geographic market, was 1.2% in calendar year 2015, 1.1% in calendar year 2016 and 1.9% in calendar year 2017 in each case as compared to the previous calendar year. According to INSEE estimates published on January 31, 2018, the real GDP growth rate in terms of volume in France was 0.6% in the fourth quarter of 2017 as compared to the third quarter of 2017, and 0.5% in the third quarter of 2017 as compared to the second quarter of 2017.

We are subject to the effects of macroeconomic cyclicality. In particular, periods of recession or deflation may have an adverse impact on demand and prices for our services, which may vary depending on the sector, customer and service offering. Furthermore, during such periods, increased competition for contracts among service providers or a decision by our customers to revert to in-house building services may adversely affect our results.

Our revenue increased from €1,790.0 million in 2016 to € 2,028.5 million in 2017. The increase in revenue was primarily attributable to external growth in our International segment.

In particular, the increase in revenue in 2017 was mainly due to our acquisitions of Facilicom in France, Cleaning Express and Ramky in Singapore, Aetna, Centaur, and Suburban in the United States and the full-year impact of our 2016 acquisitions of AB Facility a.s. and AB Facility s.r.o. (together, "AB Facility") in the Czech Republic and Slovakia, which together contributed €230.5 million to our International segment revenue in 2017. However, in France and, to a lesser extent, in certain other of our European markets, including Belgium, Poland and the Czech Republic, we continued to face price pressure. This was particularly the case in France from our larger customers in our cleaning, multi-service and security businesses, resulting primarily from the competitive environment for such services in France and our customers' expectations in previous years of lower prices due to the positive impact of the CICE. Since 2016, we have also faced increased price pressure in our multi-technical business, primarily due to large competitors beginning to compete in the medium-sized customer segment in which we mainly operate.

Acquisitions and divestments

In recent years, external growth has contributed significantly to the overall growth of our business. We intend to continue to pursue acquisitions in the future in order to diversify our service offering and customer base as well as to expand our geographic footprint further outside France. Since 2000, we have acquired entities in 31 countries across four continents. We have recently expanded our business into the United Kingdom, the United States, West Africa and Southeast Asia, as we believe that these geographic regions generally provide greater prospects for growth than our domestic market.

Acquisitions

International

In January 2016, we acquired a 98% stake in Temco, a company providing cleaning and facility management services to clients in Europe and the United States in order both to expand our European presence and to enable us to gain a foothold in the U.S. market. In 2017, Temco's operations in the United States ("Temco U.S.") contributed €110.2 million to our International segment revenue and had an average monthly headcount of 2,211 FTE employees. We further expanded our presence in the United States with the acquisitions of Aetna, in May 2017, and Centaur, in December 2017, two companies offering cleaning services which contributed €16.3 million and €12.2 million, respectively, to our International segment revenue in 2017, as well as Suburban, a company specializing in cleaning and technical maintenance services, which contributed €27.9 million to our International segment revenue in 2017. Due to these acquisitions, the United States was our largest international market in terms of revenue in 2017, accounting for €166.6 million, or 19.7%, of our International segment revenue.

During the period under review, we extended our presence in Southeast Asia through various acquisitions in Malaysia, the Philippines, Thailand, Indonesia, Vietnam, Cambodia and Myanmar, including acquisitions in 2015 of a 67% stake in Consolidated Building Maintenance, Inc. ("CBM") in the Philippines, which contributed €6.1 million to our International segment revenue in 2017, a 51% stake in Commercial and Industrial Support Co. Ltd. ("CIS") and in Com Group Co., Ltd. ("COM") in Thailand, which together contributed €4.7 million to our International segment revenue in 2017, a 36% stake in PT Rafindo Anugrah Sukses ("Rafindo") in Indonesia, which contributed €5.6 million to our International segment revenue in 2017, and a 70% stake in PT Indoservice Multi Dwi Karya ("Indoservices") in Indonesia, a business specializing in cleaning services, landscaping and pest control services which contributed €0.2 million to our International segment revenue in 2017. In 2016, we expanded to three new countries in the region through our acquisitions of Unicare Singapore Pte Ltd, a cleaning company in Vietnam which contributed €3.4 million to our International segment revenue in 2017, Kleen Eleven (Cambodia) Co., Ltd, a company specializing in cleaning, pest control, landscaping and ground services in Cambodia which contributed €0.8 million to our International segment revenue in 2017, and Myanmar Assurance Company Ltd, a company specializing in cleaning and security services in Myanmar which contributed €1.1 million to our International segment revenue in 2017. In 2016, we also acquired a 60% stake in Able Services Inc. in the Philippines, a business specializing in cleaning services, as well as an 80% stake in The Guards in Thailand, a business specializing in security services, which contributed €6.7 and €1.3 million, respectively, to our International segment revenue in 2017. Most recently, we acquired a 70% stake in Cleaning Express in March 2017 and a 26% stake in Ramky in June 2017, two companies specializing in cleaning services in Singapore, which contributed €21.9 million and €52.0 million, respectively, to our International segment revenue in 2017. Overall, in 2017, €151.1 million, or 17.9%, of our International segment revenue was attributable to our operations in Southeast Asia, of which €76.5 million, or 9.1% of our International segment revenue, was attributable to Singapore, € 21.7 million, or 2.6% of our International segment revenue, was attributable to Indonesia and €20.2 million, or 2.4% of our International segment revenue, was attributable to Malaysia.

During the period under review, we also continued to develop our operations in North and West Africa through acquisitions in Senegal, Morocco and the Ivory Coast. In particular, in 2015, we expanded our presence in the Moroccan market through the acquisition of a 60% stake in Hercule Holding and its wholly owned subsidiaries in Morocco, Clean Co Services Vigilance, Clean Co Services Environment, Clean Co Services Century and Experts Environment (together "Hercule"), which together contributed €13.4 million to our International segment revenue in 2017. In 2015, we acquired two entities in the Ivory Coast, Quick Net Services, a company specialized in industrial cleaning, green spaces and gardening services, and a 51% stake in Ivoire Nettoyage Services, a cleaning company, which together contributed € 2.8 million to our International segment revenue in 2017. Finally, in November 2017, we entered the Senegalese market through our acquisition of Axess Solutions Globales de Sécurité, a company offering security services in Senegal. Overall, in 2017, €21.2 million, or 2.5%, of our International segment revenue was attributable to our operations in Africa, of which €15.7 million, or 1.9% of our International segment revenue, was attributable to Morocco and €2.8 million, or 0.3% of our International segment revenue, was attributable to the Ivory Coast. We believe that our foothold in the African market enables us to pursue future expansion opportunities in North and West Africa.

During the period under review, we also made a number of acquisitions in Central and Eastern Europe. In 2015, we acquired Aspen in Poland, a group of companies which specialize in cleaning, catering and security activities, which merged with Atalian Poland in September 2016. Overall, our revenue in Poland accounted for €39.3 million, or 4.7%, of our International segment revenue in 2017. In 2016, we also expanded our presence in Croatia, Bosnia, Romania, the Czech Republic and Slovakia, with the acquisitions of an 80% stake in Luxor Posloni Servisi d.o.o. in Croatia and a 90% stake in Luxor Multiservis d.o.o. in Bosnia, which respectively contributed €0.01 million and €8.2 million to our International segment revenue in 2017, MT&T Property and Facility Management Ltd. in Romania, which contributed €7.0 million to our International segment revenue in 2017, AB Facility in the Czech Republic and Slovakia, which contributed € 78.8 million to our International segment revenue in 2017. We further expanded our presence in Russia in 2017 through the acquisitions of Espro Service, which contributed €2.3 million to our International segment revenue in 2017, and Novy Dom and REK, which together contributed € 8.4 million to our International segment revenue in 2017. In addition, during the period under review, we also continued to develop our significant market presence in Turkey through the 2016 acquisitions of 70% of the capital of Idetek and EVD Energy, which together contributed €0.7 million to our International segment revenue in 2017. In 2017, Turkey accounted for €67.2 million or 8.0% of our International segment revenue. Overall, in 2017, €343.1 million, or 40.6%, of our International segment revenue was attributable to our operations in Central and Eastern Europe, of which €106.1 million, or 12.6% of our International segment revenue was attributable to the Czech Republic.

During the period under review, we also strengthened our position in Western Europe with the acquisition in 2016 of Temco subsidiaries in Belgium, the Netherlands and Luxembourg, which together contributed €98.3 million to our International segment revenue in 2017. Overall, in 2017, € 162.8 million, or 19.3%, of our International segment revenue was attributable to our operations in Western Europe, of which €88.8 million, or 10.5% of our International segment revenue, was attributable to Belgium.

Since December 31, 2017, we have entered into agreements to purchase a number of entities internationally, both in countries in which we already operate and in new markets. These acquisitions include:

- PS Guard Holding, in Thailand, a business specializing in security services, in March 2018;
- PSS Cleaning and Service Co. Ltd, in Thailand, a business specializing in cleaning services in March 2018;
- Solar Cleaning Services NV, in Belgium, a business specializing in cleaning services, in March 2018;
- NET 38, in France, a business specializing in cleaning services, in March 2018;
- All Chemical Cleaner, in Thailand, a business specializing in cleaning services, in April 2018;
- BBA, in France, a business specializing in cleaning services, in April 2018.
- Limpa Nettoyages and Val de France Propreté, in France, two companies specializing in cleaning services, in April 2018.
- International Cleaning Technology and Trading Company Limited, in Vietnam, a business specializing in cleaning services, in which we acquired a 60% interest in March 2018; and
- Green Kitchen, a business specializing in catering services, and Sibes, a business specializing in technical maintenance services, in Belgium, in each of which we acquired a 51% interest in March 2018;

On April 6, 2018, we entered into a definitive agreement to acquire the entire share capital of Servest Limited, a subsidiary of Servest Group (Proprietary) Limited in South Africa. Servest UK is a significant provider of facility management services in the United Kingdom with which the Atalian Group has had a commercial partnership, through a joint venture, since April 2016. The acquisition will allow the Atalian Group to extend its service offering and become a full-fledged service provider in the United Kingdom.

France

In France, consistent with our strategic objective to reinforce our regional presence and expand our portfolio of domestic smaller to medium-sized clients, we acquired Vitsolnet, a company specializing in cleaning services in the region of Bourg-en-Bresse, in 2015, which contributed € 0.8 million to our Cleaning segment revenue in 2017. In 2016, we acquired Net'Express and HEI, two companies specializing in industrial cleaning, which together contributed €22.5 million to our Cleaning segment revenue in 2017, Dialogues Partenaires Services ("DPS"), a cleaning company, which contributed €22.5 million to our Cleaning segment revenue in 2017 and ETS Didier Bernier, a multi-technical services provider, which contributed €0.7million to our Facility Management segment revenue in 2017. In June 2017, we acquired Facilicom, a company offering cleaning and safety services, which contributed €30.5 million to our Cleaning segment revenue in 2017, and Clean Residences, a company offering cleaning services, which together contributed €0.2 million to our Cleaning segment revenue in 2017. In 2017, we also acquired Bordet Services Espaces Verts, a company providing landscaping services, which contributed € 1.0 million to our Facility Management segment in 2017 and Goret Bernard, GV Maintenances Entretiens and Yannick Verdier, three companies specializing in technical maintenance, which together contributed €1.0 million to our Facility Management segment revenue in 2017.

Since December 31, 2017, we have entered into agreements to purchase a number of entities in France. These acquisitions include NET 38 in France, a business specializing in cleaning services, in January 2018, and Limpa Nettoyages and Val de France Propreté in France, two businesses specializing in cleaning services, in April 2018.

Disposals

As part of our overall strategy of focusing on our core businesses, we discontinued our waterproofing business, which had previously been operating under the name Lagrange Couverture, in fiscal year 2016/15.

Analysis of the impact of our acquisitions on our results of operations

In order to assist in the analysis of our results of operations during the period under review, we provide in this document certain data relating to the revenue contribution for acquired businesses following their acquisition.

We calculate the revenue contribution for acquired businesses as follows:

- the revenue contribution of a business acquired during any given fiscal year is equal to the revenue of such business from the date such business was included in our revenue to the end of such fiscal year; and

- the revenue contribution of an acquired business with respect to the fiscal year immediately following the fiscal year during which such business was acquired, which we also refer to as the "full-year impact" of such acquisition, is equal to the difference between the revenue generated by such business from the date it was included in our revenue to the end of that fiscal year and the revenue generated by such business in the full fiscal year following acquisition.

We believe that we have been able to achieve organic growth of the businesses we have acquired, but the methodology we use to calculate the revenue contribution for acquired businesses does not enable us to identify the portion of the acquired business' revenue that constitutes organic growth generated after we acquired it. Accordingly, while we believe this data may be useful to investors, there are limitations inherent to the methodology we use to prepare it.

Personnel costs

The Atalian Group's cost structure mainly consists of variable costs. Our recurring operating costs consist principally of personnel costs, which represented 69.9% and 67.2% of recurring operating costs (defined as the sum of purchases consumed, external charges, personnel costs, taxes other than on income, other recurring operating income and expenses, depreciation and amortization, net, and provisions and impairment losses, net) in 2016 and 2017, respectively. The decrease in personnel costs as a percentage of operating costs in 2017 as compared to 2016 was mainly due to Temco's loss of the DOE contract in November 2016, its second largest contract in the United States, which resulted in a decrease in personnel costs as a percentage of revenue and a corresponding increase in subcontracting costs as a percentage of revenue, in 2017 as compared to 2016. The DOE contract used employees on full-time contracts, whose salaries were accounted for in personnel costs and therefore the termination of this contract led to a decrease in personnel costs as a percentage of recurring operating costs. We regard our personnel costs as mostly variable costs because they typically fluctuate depending on our activity levels on a local and at the Atalian Group level. We closely monitor our labor utilization rate using labor planning tools, and we are generally able to adjust the working hours of our workforce and reduce idle time of our field employees in particular, which enables us to maximize the productivity of our workforce.

Our ability to manage our personnel costs is in part attributable to the relatively high employee turnover rate in our cleaning and security businesses, which together account for most of our personnel costs. Our high employee turnover rate in these businesses is due to a number of factors, including frequent voluntary departures by our field employees. As of December 31, 2017, 60% of our total headcount in France comprised part-time employees. In addition, pursuant to the terms of the relevant collective bargaining agreements in France, and subject to the satisfaction of certain conditions, when contracts for cleaning or security services are lost to a competitor, the new provider must take over the employment contracts of the workforce assigned to the site. As a result, our staffing levels (other than in respect of our regional supervisory staff, which remain broadly stable) in these businesses generally increase when a customer contract is gained and decrease when a customer contract is lost, which contributes to our high turnover rate in our cleaning and security businesses. In 2017, the turnover rate in France was 21% in our cleaning business (excluding fixed-term employees and internal transfers) and 28% in our security business (including fixed-term employees and internal transfers), in each case after taking into account employee turnover due to the applicable collective bargaining agreements.

We also use other means of controlling our headcount costs in line with adjustments to our activity levels, including recourse to fixed-term contracts, subcontractors and temporary workers. Unlike employees on fixed-term contracts, whose salaries are accounted for in personnel costs, payments to subcontractors and temporary workers are accounted for in purchases consumed. Because recourse to fixed-term contracts, subcontractors and temporary workers can be more costly than employing staff under indefinite-term contracts, we use such staffing methods sparingly to address short-term peaks in our activity. For example, as of December 31, 2017, 13% of all our employment contracts in France, that is 5,627 contracts, were fixed-term contracts (excluding a small number of fixed-term employment contracts in certain of our cleaning subsidiaries specializing in providing services to railway and subway operators). The substantial majority of our fixed-term employment contracts are in our cleaning business and we typically have the highest number of fixed-term employees during the summer holidays to replace employees on vacation.

Operating performance

We endeavor to maintain or improve our operating performance by simultaneously achieving growth in the volume of our sales and cost efficiencies. We seek to secure new contracts and develop add-on sales to existing customers, which in the past typically generated higher margins than the underlying customer contract. We also implement cost saving initiatives, such as headcount reduction, and restructuring plans and limit our recourse to temporary workers and subcontractors, which tend to be more costly over time. However, our cost saving initiatives also result in restructuring costs, employee severance costs and litigation, which may negatively affect our operating margins. Although not individually material to the Atalian Group, we recorded a provision for employee litigation (including severance costs and costs relating to mutual termination of employment contracts) of €11.5 million as at December 31, 2017.

However, our ability to control our operating costs generally varies depending on the type of contract. Certain of our contracts, such as those we typically have in our cleaning business, are priced on the basis of certain specified tasks and their frequency. We refer to this type of contract as a "performance-based contract." Other contracts require us to dedicate an agreed minimum amount of human and other resources to perform services, which we refer to as a "resource-based contract." "Resource-based contracts," which we use principally in our security business, by nature afford us less opportunity to reduce operating costs in a decreasing price environment than performance-based contracts.

We also closely monitor contracts in our cleaning and facility management businesses in order to maximize total revenue and margin growth. Each business tracks and reports to the Atalian Group management on operating cost efficiency on a site-by-site basis as well as a contract-by-contract basis. This allows us to identify high growth or high margin potential services and allocate business development resources accordingly. Through this system, we also seek to identify operating cost savings to offset decreases in price that we may agree upon with our customers.

Active contract portfolio management

Our relationships with our larger customers are typically subject to multiple, separately negotiated contracts that are spread across our customers' different businesses and facilities and have different expiration dates. This tends to help us mitigate the effects of negative business cycles in any single industry. However, given the volume of contracts in our contract portfolio, and in particular, contracts with larger customer accounts, as well as the rate of customer turnover, new or lost contracts can have a significant impact on our results of operations from period to period. In 2017, our renewal rate for cleaning contracts up for renewal was 90%. During the period under review, we also elected not to renew low margin contracts with certain large clients.

In analyzing changes in our results of operations from period to period, the magnitude of the impact of new or lost contracts is an important factor which we assess in part by aggregating gains and losses of contracts in terms of revenue contribution. We refer to this factor in the discussion below as "net contract gains (or losses)." The loss of certain material contracts could have a material adverse impact on our results of operations.

Moreover, the timing of a new cleaning service contract can significantly impact our results of operations and cash flows in any given period. During the first month of execution of a new cleaning services contract, we typically incur start-up costs related to equipment and employees' uniforms that has an adverse impact on operating income. The larger the contract, the greater the start-up costs, and the greater the potential negative impact on the contract's margin and our cash flows. There is a progressive reduction in this negative impact in each successive month of the performance of the contract as we generate more revenue from the performance of services thereunder that offset those costs. The magnitude of the effect of such start-up costs on the profitability and cash flows of the Cleaning segment, and potentially the Atalian Group, depends on the aggregate impact of a variety of factors, namely, the number of new contracts, the size of such new contracts and the performance timing for such contracts. The execution and performance timing of new contracts can therefore cause significant fluctuations in our results of operations and cash flows from period to period.

Employment laws and regulations

We are subject to various employment laws and regulations. Given the labor intensive nature of our business, the continued importance of our core French market to our operations and the significance of our personnel costs, changes in such laws and regulations in France have had a significant impact on our results of operations in the period under review.

Specifically, the following legal and regulatory changes materially impacted our results of operations and cash flows and/or may materially impact them in the future:

- *Fillon Law:* Pursuant to the Fillon law of 2003 (the "Fillon Law"), employer social security contributions in France were reduced for gross salaries that are less than 160% of the statutory minimum wage. The maximum coefficient for the calculation of this reduction depends on the workforce (whether fewer than 20 employees or 20 or more employees) and ranged between 0.2805 and 0.2845 in 2016. The maximum coefficient ranges between 0.2809 and 0.2849 in 2017. The reduction increases in inverse proportion to the amount of the gross salary (*i.e.*, the reduction in employer social security contributions is the lowest for a gross salary that is just under 160% of the statutory minimum wage, but highest for a gross salary that is equal to the statutory minimum wage). An increase to the maximum coefficient from 0.2835 in 2015 to 0.2845 in 2016 and to 0.2849 in 2017 resulted in a reduction in social security contributions of €6.6 million and €8.1 million in 2016 and 2017, respectively.

- *Employer contribution to family allowances:* On January 1, 2015, the rate of employer contribution to family allowances in France decreased by 1.8% to 3.45% for all employees whose salaries were equal to or lower than 160% of the French statutory minimum wage. As from April 1, 2016, the application of this lower rate of employer contribution was extended to all salaries equal to or lower than 350% of the French statutory minimum wage. In 2016 and 2017, this reduction had a positive impact of €8.2 million and €10.9 million, respectively, on our personnel costs.

- *Minimum wage:* We generally increase the salaries of our employees in France before expected increases to the statutory minimum wage or increases in the minimum wage under the relevant collective bargaining agreements, which typically provide for minimum wages that are higher than the statutory minimum wage. The statutory minimum wage in France increases every year to take into account at a minimum inflation and living costs. The minimum wage under the collective bargaining agreements may also be increased from time to time. The French statutory minimum wage was increased by 0.6% in fiscal 2016 and 0.93% in 2017. We endeavor to incorporate a portion of these wage increases into our prices before such increases come into effect, and accordingly, to limit their negative impact on our results.

- *Complementary health and welfare benefits:* Pursuant to the Law on job security of June 14, 2013 and the Law on financing social security for 2016 of December 21, 2015, obligations to provide complementary health coverage (*mutuelle*) and welfare (*prévoyance)* benefits to all employees (including short-term contracts or reduced part-time employees) during and after the termination of the employment contract were increased. These changes became effective for us on January 1, 2016, and they had an adverse impact on our personnel costs of €0.3 million and €1.6 million in 2016 and 2017, respectively.

CICE tax credit

In December 2012, the CICE was adopted as part of an overall stated French government policy to improve the competitive position of companies in France. Pursuant to the CICE, French companies have been entitled since 2013 to a tax credit in respect of gross salaries paid to certain employees. The tax credit was equal to 7% of gross salaries paid to certain employees in 2017 and is equal to 6% of gross salaries paid to these employees as from January 1, 2018. We expect that the decrease of the CICE rate from 7% to 6% will result in a decrease in our EBITDA of approximately €5.8 million in fiscal year 2018. The amount of the CICE is calculated on the basis of gross salaries paid to employees in the course of the calendar year, provided such gross salaries do not exceed a maximum of 250% of the French statutory minimum wage. Under the CICE, for any given employee, the French statutory minimum wage is calculated on the basis of such employee's regular working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime. The CICE will be cancelled in 2019 and replaced by a reduction in employer social contributions of 6% applicable to gross salaries that do not exceed 2.5 times the minimum wage (the same gross salaries eligible for the CICE). We expect that the replacement of the CICE with a reduction in employer social contributions will result in an increase in our EBITDA of approximately €5.8 million in fiscal year 2019, as compared to fiscal year 2018.

The CICE calculated with respect to a given calendar year may only be used to reduce our corporate income tax liability for the fiscal year closed in the subsequent calendar year and for the three subsequent fiscal years. Any unused portion is refundable only after the end of such period and should continue to be refundable even after the elimination of the CICE mechanism. The Atalian Group recognizes the CICE as a deduction from personnel costs within operating profit in the consolidated income statement and a corresponding accrued tax receivable is recognized in "Other receivables." This accounting treatment resulted in an increase of our EBITDA in an amount of €37.9 million, with respect to the CICE recorded in 2017.

The Atalian Group pre-finances its future CICE tax credit receivables through the Banque Publique d'Investissement ("BPI"). Financing contracts are entered into through which the Atalian Group sells to BPI its estimated future receivables for the calendar year as a guarantee for financing received from BPI. At the end of the fiscal year, the Atalian Group recognizes a liability under "Other Current Liabilities" in an amount corresponding to the cash received from BPI through this pre-financing mechanism. As at December 31, 2016 and December 31, 2017, financing received in this way amounted to €98.8 million and €130.0 million, respectively.

Apart from the impact of the reduction of the rate from 7% to 6% and the possible impact of the new rules on the basis to which the reduction will apply, we anticipate it would not impact the positive effects on our reported results of operations or EBITDA, but would affect our cash flows since the corporate income tax that we have to pay would increase, though that negative effect would be partially mitigated by our tax losses carried forward.

Fluctuations in Foreign Currency Exchange Rates

The international expansion of our operations outside the Eurozone increases our exposure to various currency risks. Accordingly, our results of operations are, and may further be, subject to currency effects, primarily currency translation risk. The results of our operations of our subsidiaries operating outside the Eurozone are translated into euro, our functional and reporting currency, at the applicable exchange rates for inclusion in our Consolidated Financial Statements. A decline in the value of foreign currencies against the euro will therefore have a negative effect on our revenue and EBITDA as reported in euro. We are particularly exposed to such risk as a result of our operations in Turkey, the United States, Indonesia and Malaysia, as the currencies in these countries have recently tended to decrease in value against the euro. We may also be exposed to currency exchange rate risk in connection with any profits from our international operations that are paid as dividends or otherwise to our holding companies in France. We expect our exposure to transaction risk at our subsidiaries to be relatively limited because their revenues are generated and operating costs incurred generally in their respective operating and functional currencies. We incur currency transaction risk whenever one of our subsidiaries generates revenue or operating costs in a different currency from the currency in which it operates. We experienced a negative foreign exchange impact of €15.2 million on our International segment revenue in 2017, mainly due to the depreciation of the Turkish lira, which accounted for a loss of €10.4 million, U.S. dollar, which accounted for a loss of €4.6 million, the Indonesian rupia, which accounted for a loss of €1.4 million and the Malaysian ringgit, which accounted for a loss of €1.1 million, against the euro. We expect, that the fluctuations in our reported results of operations from period to period caused by changes in foreign currency exchange rates will likely become more significant in the future as the proportion of our operations outside the Eurozone, and particularly in United States, Turkey, Malaysia, and Indonesia, increases.

Seasonality

Revenue from some of our businesses is subject to seasonal fluctuations, principally in France. During the summer and winter school holidays, we typically experience an increase in revenue from our cleaning services contracts with our customers in the transportation sector in France (namely, the RATP, the state-owned public transportation system in Paris and its surrounding region, and the SNCF, the state-owned national railway company). In addition, revenue from our security services contracts with certain of our mass market retail customers, such as Carrefour and Galeries Lafayette, usually increases during November and December. In contrast, we generally experience a lower level of activity in our landscaping business in the winter months due to weather conditions.

Our net working capital is also subject to seasonal variations, principally in connection with our French activities. Our net working capital requirements are generally significant in most of the first half of the calendar year, during which time we are opening new accounts with larger customers and existing large accounts are in the process of allocating their annual budget for outsourced services. Our net working capital requirements are also negatively impacted during this period by a number of cash payments relating to, among other things, pension contributions, insurance premium payments, holiday payments and the payment of bonuses earned in the prior year. Our net working capital requirements therefore generally tend to be the highest between March and April of every year. Our net working capital requirements are typically the lowest in August, when public and private sector customer accounts are settled in respect of services rendered since the beginning of the calendar year, and in December, when we focus on cash collection at calendar year end.

Description of Key Line Items in Our Income Statements

Revenue. Revenue comprises the value of services provided during the fiscal year less VAT and duties as well as price and quantity discounts. Contract work in progress is recognized using the percentage-of-completion method based on the value of work completed at the balance sheet date.

Purchases consumed. Purchases consumed refers primarily to cleaning and maintenance products, material and site equipment (including security and plumbing equipment), and payments to subcontractors and temporary workers. Purchases consumed also includes fuel and gas, work clothes, plants (for our landscaping business), and market studies. In addition, certain rebates granted by our suppliers are reflected in our purchases consumed.

External charges. External charges mainly comprise vehicle and equipment rental costs, external fees (including audit fees), maintenance costs (*i.e.*, expenses incurred that do not comply with IFRS capitalization criteria), and administrative expenses (*e.g.*, insurance costs, travelling expenses, mailing and telecommunication costs).

Personnel costs. Personnel costs comprise salaries and wages, pensions, social security expenses and other employee-related expenses such as contractual profit sharing.

Taxes other than on income. Taxes other than on income includes taxes on salaries (mainly training taxes), social construction tax (*taxe effort construction*), social solidarity contribution (*contribution sociale de solidarité*), which is a tax based on a percentage of net sales, and real property tax.

Taxes other than on income excludes the CVAE starting on January 1, 2010 pursuant to the French Budget Act of 2010, which replaced the business tax (*taxe professionnelle*) that was previously payable by French entities with two new taxes, one of which, the CVAE, is based on the "added value" generated by French entities. In accordance with IAS 12, the Atalian Group has elected to classify the CVAE contribution as an income tax, and therefore to recognize it under the "Income tax expense" line item in the income statement.

Other recurring operating income and expense. This line item mainly includes net gain or loss on asset sales; subsidies granted to the Atalian Group by the French government in respect of disabled employees; recurring costs relating to our office equipment, supplies and IT systems; and the positive effect of the capitalization of personnel costs that principally relate to ongoing Group information technology projects.

Depreciation and amortization. Depreciation and amortization relates to depreciation and amortization of intangible and tangible assets.

Provisions and impairment losses. Provisions primarily relate to restructuring costs occurring in the ordinary course of business, pension provisions, and provisions for claims and litigation with employees, customers, suppliers and other parties. They also include the impairment of receivables and inventories.

Net financial expenses. Net financial expenses reflect the impact of the Atalian Group's financing Acquisition and related financings and comprise net finance costs, which include interest paid on the Atalian Group's borrowings, the amortization of issuing costs and interest received on available cash, as well as other financial income and expenses. Other financial income and expenses consist of dividends received from non-consolidated entities, net financial provisions, disposals of shares and other financial assets, write-offs and other gains and losses.

Share of profit (loss) of equity-accounted companies. Share of profit (loss) of equity-accounted companies comprises the share of profit (loss) after tax of equity-accounted companies. Equity-accounted companies include the joint venture subsidiaries with City One, one operating entity in Slovakia and certain operating entities in Malaysia.

Income tax expense. Income taxes consist of (i) income tax, including CVAE, and (ii) changes in deferred tax assets.

Results of Operations

Results of operations for 2017 and 2016

	For the twelve months ended December 31,	
	2016 restated[(1)]	**2017**
	€ in millions	
Revenue	**1,790.0**	**2,028.5**
Purchases consumed	(352.4)	(443.9)
External charges	(102.1)	(122.3)
Personnel costs	(1,203.3)	(1,307.9)
Taxes other than on income	(25.7)	(29.4)
Other recurring operating income and expenses	6.7	11.5
EBITDA	**113.3**	**136.5**
Depreciation and amortization	(33.2)	(39.3)
Provisions and impairment losses, net	(10.4)	(16.0)
Operating profit	**69.8**	**81.1**
Financial income	0.4	0.7
Finance expenses	(35.7)	(52.8)

Finance costs, net	**(35.4)**	**(52.1)**
Other financial income and expenses	(0.6)	(2.5)
Net financial expense	**(36.0)**	**(54.6)**
Income tax expense	(16.5)	(16.6)
Share of profit (loss) of equity-accounted companies	(0.1)	0.2
Net profit from recurring operations	**17.3**	**10.2**
Net profit (loss) from discontinued operations	—	—
Profit for the period	**17.3**	**10.2**

(1) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Information, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

Revenue

The following table sets forth the breakdown of our revenue for the periods indicated by reporting segment:

	For the twelve months ended December 31,	
	2016 restated(1)	2017
	€ in millions	
Revenue		
Cleaning	742.5	775.9
Facility Management	411.8	420.4
International	649.9	844.9
Other(1)	(14.2)	(12.7)
Total Revenue	**1,790.0**	**2,028.5**

(1) Elimination of intragroup Acquisition and related financings.

(2) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Information, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

Revenue increased by €238.5 million, or 13.3%, to €2,028.5 million in 2017, as compared to €1,790.0 million in 2016. The increase was mainly attributable to our international growth in 2017, principally due to several acquisitions in Singapore and the United States and the full-year impact of our 2016 acquisitions in the Czech Republic and Slovakia. The increase also reflected the acquisition of Facilicom in France. The increase was partly offset by a strong adverse impact of foreign exchange rate movements, mainly due to depreciation of the currencies in the United States, Turkey, Indonesia and Malaysia against the euro.

Revenue by segment

Cleaning. Cleaning segment revenue increased by €33.4 million, or 4.5%, to €775.9 million in 2017, as compared to €742.5 million in 2016. This increase in Cleaning revenue was primarily attributable to the acquisition of Facilicom and other smaller entities in France, which together contributed €26.7 million to Cleaning segment revenue in 2017 and to organic growth of €6.6 million in the Cleaning segment. This increase was partly offset by price pressure in this segment.

Revenue from the Cleaning segment represented 38.2% of our total revenue in 2017, and 41.5% in 2016. The decrease was primarily a result of the significant increase in our International segment revenue in 2017.

Facility Management. Facility Management segment revenue increased by €8.6 million, or 2.1%, to €420.4 million in 2017, compared to €411.8 million in 2016. The increase was principally due to the following:

– an increase of €3.9 million, or 2.4%, in revenue generated by our security business in 2017, as compared to 2016, principally due to revenue from the acquisition of Trigion Securité, which increase was partly offset by increased competition in our airport security business;

– an increase of €6.4 million, or 9.4%, in revenue generated by our landscaping business in 2017, as compared to 2016, primarily as a result of our acquisition of Bordet Services Espaces Verts; and

– an increase of €3.2 million, or 36.5%, in revenue generated by our painting business in 2017, as compared to 2016, as a result of organic growth of €3.2 million.

This increase was partially offset by a decrease of €5.0 million, or 2.9%, in revenue generated by our multi-technical and multi-service business in 2017 as compared to 2016, principally due to loss of existing contracts of €6.1 million, as a result of increased competition in our multi-technical sub-segment.

Revenue from the Facility Management segment represented 20.7% of our revenue in 2017, as compared to 23.0% in 2016, mainly as a result of the significant increase in our International segment revenue, together with net contract losses and continuing price pressure in our multi-technical business.

International. International segment revenue increased by €195.7 million, or 30.1%, to €844.9 million in 2017, as compared to €649.2 million in 2016. This increase was mainly due to several acquisitions in 2017, including:

– Cleaning Express and Ramky in Singapore, in March 2017 and June 2017, respectively, which together resulted in an increase of €76.5 million of our International segment revenue in 2017;

– Aetna in May 2017, and Suburban Integrated Facilities and Centaur in December 2017, in the United States, which resulted in an increase of €56.4 million of our International segment revenue in 2017;

– Visschedijk and HYGO Facilitaire Producten, in the Netherlands, in January 2017, which resulted in an increase of €28.0 million of our International segment revenue in 2017; and

– Novy Dom, and REK in Russia in May 2017 which resulted in an increase of €8.4 million of our International segment revenue in 2017.

This increase was also due to the full-year impact of our acquisitions in 2016, including:

– AB Facility in the Czech Republic and Slovakia, acquired in November 2016, which resulted in an increase of €69.2 million in our International segment revenue in 2017 as compared to 2016;

– Atalian in the Netherlands (formerly Temco Facility Services), acquired in September 2016, which resulted in an increase of €10.8 million in our International segment revenue in 2017 as compared to 2016;

– Able in the Philippines, acquired in September 2016, which resulted in an increase of €4.3 million in our International segment revenue in 2017 as compared to 2016; and

– Espro in Russia, acquired in December 2016, which resulted in an increase of €1.2 million in our International segment revenue in 2017 as compared to 2016;

The increase in our International segment revenue as reported in euro was partially offset by a €15.2 million adverse foreign exchange rate impact, mainly due to the depreciation of the currencies in the U.S. and Turkey against the euro.

The increase in our International segment revenue was also partially offset by a decrease in organic growth of €36.6 million as a result of contract losses by Temco U.S. including major contracts with the Department of Education in New York, Google LLC, and Patterson Companies, Inc., which resulted in an aggregate decrease in revenue of €75.9 million. This loss was partially offset by organic growth of €37.8 million as a result of new and renewed contracts in Russia, Turkey, Morocco, Slovakia and the Asian countries in which we operate.

Revenue from the International segment represented 41.7% of our total revenue in 2017, as compared to 36.3% in 2016.

Purchases consumed

Purchases consumed increased by €91.5 million, or 26.0%, from €352.4 million in 2016 to €443.9 million in 2017, principally reflecting the increase in our revenue during the period. As a percentage of revenue, purchases consumed represented 21.9% of our revenue in 2017, as compared to 19.7% of revenue in 2016. This increase was primarily due to Temco's loss of its DOE contract in November 2016, which resulted in a decrease in personnel costs as a percentage of revenue and a corresponding increase in subcontracting costs as a percentage of revenue, in 2017 compared to 2016.

External charges

External charges increased by €20.2 million, or 19.8%, from €102.1 million in 2016 to €122.3 million in 2017, principally reflecting the increase in our revenue during the period. As a percentage of revenue, external charges increased slightly, representing 6.0% of our revenue in 2017, as compared to 5.7% of our revenue in 2016.

Personnel costs

Personnel costs increased by €104.6 million, or 8.7%, from €1,203.3 million in 2016 to €1,307.9 million in 2017. The increase in personnel costs was principally attributable to the growth of the International segment. As a result of our expansion strategy, the average monthly headcount of FTE employees in the International segment increased by 37.7%, from 31,849 as of December 31, 2016, to 43,855 as of December 31, 2017. Total average headcount of FTE employees increased by 21.7%, from 59,658 as of December 31, 2016 to 72,588 as of December 31, 2017, mainly driven by international growth. As a percentage of revenue, personnel costs decreased, representing 64.5% of our revenue in 2017 as compared to 67.2% of revenue in 2016, primarily as a result of Temco's loss of the DOE contract in November 2016, resulting in decrease in personnel costs as discussed above.

Taxes other than on income

Taxes other than on income increased by €3.7 million, or 14.4%, from €25.7 million in 2016 to €29.4 million in 2017. Taxes other than on income mainly includes taxes on salaries. As a percentage of personnel costs, taxes other than on income increased to 2.2% in 2017 as compared to 2.1% in 2016. This was mainly due to an increase in the number of employees as a result of several international acquisitions in 2017.

Other recurring operating income and expenses

Other recurring operating income increased by €4.8 million, from €6.7 million in 2016 to €11.5 million in 2017. The increase was primarily due to a trademark assignment resulting in other income of €6.2 million.

EBITDA

The following table sets forth the breakdown of our EBITDA for the periods indicated by reporting segment:

	For the twelve months ended December 31,	
	2016 restated[(1)]	**2017**
	€ in millions	
Cleaning	79.7	84.8
Facility Management	30.8	31.4
International[(2)]	28.5	41.8
Other	(25.7)	(21.5)
EBITDA	113.3	136.5

(1) Restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group Unaudited Interim Condensed Consolidated Financial Information, in connection with the reinvoicing of expenses outside the Atalian Group and further restated to reflect the correction of certain errors that were identified as part of the preparation of the Atalian Group 2017/16 Audited Consolidated Financial Statements, in connection with the adjustment of a provision relating to the supplier payment process and the further reinvoicing of expenses outside of the Atalian Group. An explanation of the nature and impact of these corrections is provided in note 2.2 of the notes to the Atalian Group 2017/16 Audited Consolidated Financial Statements.

(2) This amount includes €8.6 million and € 8.8 million for 2017 and 2016 respectively related to holding costs that should be adjusted for the purpose of analysing the actual EBITDA margin for the international segment Including these amount, the EBITDA margin would have been 6.0% and 5.7% in 2017 and 2016 respectively.

EBITDA increased by €23.2 million, or 20.5%, to €136.5 million in 2017, as compared to €113.3 million in 2016. Our EBITDA margin increased to 6.7% in 2017, as compared to 6.3% in 2016, mainly due to increase in our EBITDA margin in our International segment, as discussed below.

Cleaning. EBITDA for the Cleaning segment increased by €5.1 million, or 6.4%, to €84.8 million in 2017, as compared to €79.7 million in 2016. The increase was primarily attributable to the acquisition of Facilicom, which contributed €2.3 million to EBITDA in 2017. The EBITDA margin for the Cleaning segment slightly increased to 10.9% in 2017, as compared to 10.7% in 2016, despite continuing price pressure, mainly due to the fact that we continued to elect not to renew contracts which offered low margins.

Facility Management. EBITDA for the Facility Management segment increased slightly by €0.6 million, or 1.9%, to €31.4 million in 2017, as compared to €30.8 million in 2016. This increase was mainly due to EBITDA organic growth of €3.8 million in our landscaping and painting businesses, partly offset by EBITDA combined organic losses of €3.0 million in our multi-technical and multi-service and security sub-segments. The Facility Management segment EBITDA margin remained stable at 7.5% in 2017 due to our continued management of our costs by focusing on more profitable contracts. These cost savings were partially offset by continuing price pressure in our multi-technical and multi-service sub-segments.

International. EBITDA for the International segment increased by €13.3 million, or 46.7%, to €41.8 million in 2017, as compared to €28.5 million in 2016, principally as a result of a significant number of acquisitions in 2017, including Cleaning Express and Ramky in Singapore, Aetna, Suburban, and Centaur in the United States and the full year impact of the 2016 acquisitions of AB Facility a.s. and AB Facility s.r.o. in the Czech Republic and Slovakia, which together contributed €16.4 million to EBITDA for the International segment. This was partially offset by Temco's loss of its DOE contract in November 2016, which accounted for a decrease of €4.1 million in EBITDA, as well as a net negative impact of foreign exchange rate of €1.2 million in our International segment in 2017. The EBITDA margin of the International segment increased to 4.9% in 2017 from 4.4% in 2016, primarily due to Temco's loss of the DOE contract, which had lower margins than we typically experience in our International segment.

Depreciation and amortization

Depreciation and amortization increased by €6.1 million, or 18.4%, from €33.2 million in 2016 to €39.3 million in 2017, due to the increase of the total amount of tangible assets following several acquisitions made in 2017 and in part in 2016, principally in the International segment as discussed above. As a percentage of revenue, depreciation and amortization remained stable at 1.9% in 2016 and 2017.

Provisions and impairment losses, net

Provision and impairment losses increased by €5.6 million, from €10.4 million in 2016 to €16.0 million in 2017, mainly as a result of the increase in retirement provision of €1.4 million, due to increases in headcount as a result of international expansion, and increases in provisions for bad debt of €2.6 million, primarily in the International segment, related to acquisitions.

Operating profit

Operating profit increased by €11.5 million, or 16.5%, from € 69.8 million in 2016 to €81.2 million in 2017, for the reasons explained above.

Net financial expense

Net financial expense increased by €18.6 million, or 52.7%, from €36.0 million in 2016 to €54.6 million in 2017. This increase was principally due to the payment of €19.2 million in penalties related to early repayment of the 2020 Notes and the amortization of issuing costs related to the 2020 Notes. This increase was partially offset by an increase in financial income during 2017.

Income tax expense

Income tax expense increased by €0.1 million, or 0.6%, from € 16.5 million in 2016 to €16.6 million in 2017. Income tax expense in 2017 comprised CVAE of €13.8 million as compared to €14.3 million in 2016, current income tax expense of €4.8 million as compared to €4.6 million in 2016 and deferred tax income of € 2.0 million related to tax losses carried forward from our cleaning business (as compared to deferred tax income of €2.4 million in 2016).

Share of profit (loss) of equity-accounted companies

Share of profit of equity-accounted companies amounted to €0.2 million in 2017, as compared to a share of loss of equity-accounted companies of €0.05 million in 2016. The share of profit (loss) of equity-accounted companies was mainly attributable to our joint venture companies with City One and Euroclean.

Profit for the period

Profit for the period decreased by €7.1 million from €17.3 million in 2016 to €10.2 million in 2017, primarily as a result of the reasons stated above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SERVEST UK

Financial Information

Service divisions

Servest UK has four principal operating divisions: Cleaning, Building Services, Catering and Security. Revenue from these operating divisions in fiscal year 2017/16 and for the three months ended December 31, 2017 was as follows:

- *Cleaning:* In fiscal year 2017/16 and the three months ended December 31, 2017, the Cleaning division generated £184.8 million and £43.6 million of Servest UK's revenue, or 40.5% and 37.6% of its revenue, respectively.

- *Building Services:* In fiscal year 2017/16 and the three months ended December 31, 2017, the Building Services division generated £150.7 million and £37.8 million of Servest UK's revenue, or 33.0% and 32.6% of its revenue, respectively.

- *Catering:* In fiscal year 2017/16 and the three months ended December 31, 2017, the Catering division generated £89.9 million and £25.4 million of Servest UK's revenue, or 19.7% and 21.9% of its revenue, respectively.

- *Security:* In fiscal year 2017/16 and the three months ended December 31, 2017, the Security division generated £27.9 million and £8.3 million of Servest UK's revenue, or 6.1% and 7.2% of its revenue, respectively.

In addition, Servest UK has two other operating divisions, Pest Control and Compliance, which are less significant in terms of revenue and EBITDA. Although Servest UK generally allocates overhead expenses to the division for which such expenses are more appropriately allocated, certain overhead expenses viewed by Servest UK as not being allocable have been allocated to the Corporate division for purposes of reporting divisional Adjusted EBITDA.

Non-IFRS financial measures

The management of Servest UK uses Adjusted EBITDA to analyze its results of operations. Servest UK defines Adjusted EBITDA as operating profit/(loss) plus depreciation and amortization expenses and excluding certain non-underlying administrative costs. Non-underlying administrative costs include acquisition costs, redundancy and other costs, goodwill and intangible asset impairment charges and changes in fair value of contingent consideration in the income statement which, in the judgement of the management of Servest UK, need to be disclosed separately by virtue of their nature, size and incidence in order to obtain a proper understanding of the financial information and the underlying performance of the business.

Adjusted EBITDA as defined by the management of Servest UK is not a specifically prescribed line item under IFRS, is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit or loss for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. Servest UK believes that the inclusion of Adjusted EBITDA in this document is useful to investors because it provides investors the same information that Servest UK uses internally for purposes of assessing its operating performance and because these and similar measures are widely used by certain investors as supplemental measures of performance and liquidity. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Servest UK's results of operations. Because not all companies calculate Adjusted EBITDA identically, this presentation of Adjusted EBITDA may not be comparable to the similarly titled measure of other companies.

The discussion below also includes references to the Adjusted EBITDA and Adjusted EBITDA margin of each of Servest UK's operating divisions. In calculating divisional Adjusted EBITDA and Adjusted EBITDA margin, most of Servest UK's administrative expenses for the period, including most overhead costs that are not directly attributable to the actual delivery of services, are generally treated by Servest UK as having been charged to its operating divisions based on management judgments as to which divisions such costs are best allocated. However, a small portion of aggregate overhead costs (amounting to residual income of £0.3 million, residual overhead costs of £0.7 million, residual overhead costs of £0.2 million, residual income of £1.4 million and residual overhead costs of £0.1 million in fiscal years 2017/16, 2016/15 and 2015/14 and the three months ended December 31, 2017 and 2016, respectively) were viewed by

Servest UK management as not being allocable to any particular operating division. These residual overhead costs remain in the non-operating Corporate division but have historically been reflected by Servest UK in its divisional breakdown of Adjusted EBITDA and Adjusted EBITDA margin by presenting Adjusted EBITDA and Adjusted EBITDA margin for the "Cleaning and Corporate" divisions in aggregate. As a result, Adjusted EBITDA and Adjusted EBITDA margin of the "Cleaning and Corporate" divisions in aggregate will reflect certain residual overhead costs (or, in certain periods, residual income) that are not allocable to the Cleaning division. Accordingly, Adjusted EBITDA and Adjusted EBITDA margin of the "Cleaning and Corporate" divisions in aggregate will, depending on the period, tend to be somewhat lower or higher than they might have been for the Cleaning division had the Adjusted EBITDA and Adjusted EBITDA margin for the Cleaning division been presented in isolation or had these residual overhead costs (or residual overhead income) been allocated in a different manner, and movements in Adjusted EBITDA and Adjusted EBITDA margin for the "Cleaning or Corporate" divisions may, in addition to operational factors attributable to the Cleaning division's underlying performance, also be impacted by movements in these residual overhead costs. Because the amount of residual overhead costs in the Corporate division represents only a small portion of aggregate overhead costs and primarily reflects management determinations as to whether particular overhead costs are appropriately chargeable to operating divisions, which will vary from period to period based, among other things, on the nature of the costs in those periods, movements in the amount of residual overhead costs from period to period should not be viewed as indicative of the effectiveness of efforts by management during such periods to manage aggregate overhead costs or administrative expenses more generally. The amount of residual overhead costs in each period has been separately quantified above and in discussions of divisional Adjusted EBITDA and Adjusted EBITDA margin below solely to improve comparability from period to period as to the costs allocated to the Corporate division that have not been allocated to the Cleaning division.

Factors Affecting Servest UK's Results of Operations

Set forth below are certain key factors that have affected Servest UK's results of operations during the periods under review and that may impact Servest UK's results of operations in the future.

General economic conditions in the UK

Although the recent acquisition of the Aktrion Group is expected to increase Servest UK's exposure to other jurisdictions (in particular to continental Europe), substantially all of Servest UK's operations to date (including in the periods under review) have been conducted in the United Kingdom. Demand for Servest UK's services is accordingly affected by economic conditions in the United Kingdom.

Periods of recession or weak economic growth tend to have a mixed impact on the demand for outsourced facilities management services. In general, amidst a weak economic environment, the demand for services that customers perceive as non-essential, which tend to be provided through once-only or short-term project-based arrangements, are often adversely affected as customers increase efforts to curb discretionary expenditures. In contrast, the demand for services that are perceived as less discretionary (including cleaning, building maintenance and many on-site catering services), which tend to be provided through longer-term annuity contracts or under long-term framework agreements, tend to be more resilient to, and may even benefit from, a weak economic environment as organizations seek to expand the scale of their outsourcing as part of their own efforts to better manage costs.

Servest UK believes that the lower-than-average growth in the United Kingdom during the periods under review has had a mildly positive impact on the demand for its services, particularly in the Cleaning and Catering divisions, which benefitted from key new contracts during the periods under review. Servest UK believes the demand impact of the economic environment was more neutral for the Building Services division, and more difficult to assess for the Security division, which benefitted from some notable contract wins in the periods under review but is subject to more general challenges, including increasing reconsideration of the use of significant numbers of security guards and other traditional modes of securing facilities. Despite the relative resilience of demand for the longer-term less discretionary services that Servest UK primarily provides, however, such services remain (particularly in the case of contracts with larger customers) susceptible to customer pricing pressures amidst a weak macro-economic environment. Servest UK is also impacted by regulatory change impacting the general economic environment in the United Kingdom. As discussed below, the UK National Living Wage has been a factor in cost of sales (and revenue) increases in absolute terms during the periods under review (although the impact on cost of sales as a percentage of revenue has been limited due to pass-through provisions in Servest UK's contracts). In addition, although no significant impact has been identified to date, Servest UK is closely monitoring the outcomes of the European Union exit negotiations in relation to Brexit and any resulting policy changes to determine the potential impact on future contract opportunities and availability of resources.

Key acquisitions and strategic investments

Acquisitions made a significant contribution to the overall growth of Servest UK's business during the periods presented herein and affect the comparability of its overall results and the results of particular divisions. In particular, acquisition have resulted in significant changes to Servest UK's overall business mix during the periods under review, with acquisition-driven growth significantly expanding the size and relative importance of the Building Services division and helping to preserve the size and relative importance of the Catering division, even as the size and relative importance of the Cleaning and Security divisions (which were not the subject of meaningful acquisitions) reduced correspondingly.

In October 2016, Servest UK acquired 100% of the capital of Arthur McKay, a mechanical and electrical engineering company based in Scotland. The acquisition significantly expanded the reach of the Building Services offering and was the primary driver in the growth of the Building Services division during the periods presented herein (which generated £150.7 million in fiscal year 2017/16, as compared to £24.1 million in fiscal year 2016/15 and £25.6 million in fiscal year 2015/14). Because Arthur McKay primarily contributed larger, lower-margin contracts than those prevailing in the Building Services division prior to its acquisition, this acquisition led to a decline in divisional Adjusted EBITDA margin in Building Services. However, as the Building Services division generally tends to benefit from higher margins than the services provided by Servest UK's other divisions, the acquisition of Arthur McKay positively impacted Adjusted EBITDA margins for Servest UK as a whole in fiscal 2017/16 and for the three months ended December 31, 2017.

Also in October 2016, Servest UK acquired 100% of the capital of Catering Academy, a contract catering company that operates primarily within the education and healthcare sectors, to further expand its Catering offering. The acquisition contributed £34.9 million to Servest UK's revenues (all in the Catering division) in fiscal year 2017/16 and £9.9 million in the three months ended December 31, 2017. However, despite purchasing synergies realized on the cost of food (a significant operating expense for the Catering division) and cost savings on overhead expenses following the acquisition, the impact on divisional Adjusted EBITDA margin for the Catering division as well as Adjusted EBITDA margin for Servest UK as a whole was negative. This negative impact was due mostly to the fact that Catering Academy contributed significantly lower-margin contracts than the average in the Catering division (and of Servest UK as a whole) prior to its acquisition.

In addition, in July 2017, Servest UK made a strategic investment in Getronics, a multi-national provider of technology services (including software platforms, hardware sales, telecommunications solutions, and cloud services) through the purchase of a 28.8% minority interest in the share capital of Getronics. Although the investment has not contributed to Servest UK's revenues directly (IFRS requiring that Servest UK's 28.8% share of Getronics' results of operations be accounted for as an equity method investment, with net result shown in "share of net loss in associate" below operating profit/(loss) in Servest UK's results), Servest UK believes that the investment, and potential opportunities for collaboration with Getronics going forward, could assist it in expanding its broader service offering to help meet (and to some extent help foster) the demand for technology-driven facilities management services.

More recently, in February 2018, Servest UK completed the acquisition of Aktrion group, a provider of facilities management services, expanding its service offering into the automotive and print sectors, bolstering its presence in manufacturing more broadly and expanding its operations into Europe. Servest UK has also recently entered into definitive agreements to acquire Thermotech and Unique, transactions that are expected to close shortly following the Acquisition. Thermotech is a building services company specializing in fire protection and HVAC, and offers Servest UK the opportunity to expand into an area where it currently does not have the capability to self-deliver services while additionally strengthening its building services presence in the north of England. Unique is a catering services company that delivers services mainly to business and industry customers and represents a bolt-on acquisition to Servest UK's existing catering business.

Focus on longer-term contracts from large and medium-sized accounts

Servest UK's customers vary widely in their size and in the complexity of their outsourcing needs, from small firms that require a single cleaner to large public and private organizations seeking integrated facility services, and Servest UK accordingly acts as a solutions provider to a diverse set of customers. However, its strategic focus has generally been on winning long-term contracts (which Servest UK defines as contracts with terms of one year or more, and which more typically range from three to five years) with large and medium-sized customers in both the public and private sectors (as opposed to once-only or short-term project based work). This strategic focus has contributed to group-wide increases in revenue and Adjusted EBITDA during the periods under review as well as a greater proportion of revenue derived from longer-term contracts, as well as considerable predictability in revenues, albeit at slightly lower Adjusted EBITDA margins. Of Servest UK's top 10 customers by revenue in fiscal year 2017/16 (in aggregate representing 32.8% of its revenue for that year), for example, only two customers (representing approximately £16.0 million of revenue in fiscal year 2017/16) presently have contracts ending within the next twelve months.

The inclusion of medium-sized organizations within the strategic focus has also, during the periods under review, contributed to a decrease in customer concentration, with an increasing proportion of revenues generated from medium-sized customers. Nevertheless, larger customers continue to represent, and are expected to remain, a significant portion of the business mix, with Tesco, Servest UK's largest customer, representing 11.4% of total revenue in fiscal year 2017/16, and the five and ten largest customers within each division amounting to: 49.0% and 64.6% of the revenues of the Cleaning division; 27.2% and 41.3% of the revenues of the Building Services division; 32.6% and 39.9% of the revenues of the Catering division; and 45.8% and 65.1% of the revenues of the Security division in fiscal year 2017/16. As a result, revenues and cash flows from period to period, particularly at the divisional level, may fluctuate and be impacted by a relatively small number of key new contract wins, failures to renew existing contracts or changes in the breadth of services required under existing key contracts. For example, in the Cleaning division, the growth in revenues from fiscal year 2016/15 to fiscal year 2017/16 principally reflected the full-year impact of new contract wins with Great Western Railway and John Lewis, the effect for a portion of the year of the retender of Tesco contracts (which reduced requirements for Cleaning services, while increasing services from Catering and other divisions) and the full-year impact of contract losses with the National Science Museum and National History Museum. Similarly, the decline in revenues in the Cleaning division in the three months ended December 31, 2017, as compared to the three months ended December 31, 2016, was primarily due to the loss of contracts with Sainsbury's and the retender of Tesco contracts.

Moreover, the timing of new contracts, particularly larger contracts in the Cleaning division (which tend to entail more site-based capital expenditures than services provided by other operating divisions), can significantly impact Servest UK's cash flows in any given period. This is primarily due to a greater number of employees that must be contracted to work when beginning new operations than the average number throughout the contract as the operation matures. During the first several months of execution of a new Cleaning services contract, for example, Servest UK typically incurs start-up costs related to significant additional operational staff, in addition to site-based equipment and employees' uniforms. Typically, these start-up costs are capitalized and included within other receivables on Servest UK's balance sheet and amortized over the life of the contract on a straight-line basis, which reduces fluctuations in profitability from period to period, although not the impact on cash flows from the actual cash outlay such the start-up costs represent. The larger the contract, the greater the start-up costs, and the greater the potential negative impact on cash flows. There is a progressive reduction in this negative impact in each successive month of the performance of the contract as Servest UK generates more cash from the performance of services thereunder, which progressively offsets those up-front costs. Typically, however, the cash impact of start-up costs (particularly when taken together with the difference in the timing of payments to employees, who are paid monthly, and payments from customers, which increasingly range from 60 to 90 days for larger customers) means that new contracts often entail net cash outflows during their first year and new contracts only becoming cash generative during their second year. As such, the magnitude of the effect of such start-up costs on Servest UK's operating cash flows depends on the aggregate impact of a variety of factors, namely, the number of new contracts won during a period, the size of such new contracts and the timing to perform such contracts. In general, however, because new contract wins tend to result in net cash outflows during their first year, stronger organic growth and significant new contract wins in any given year will typically correspond to greater reductions in operating cash flow during that year.

Cost Structure

Cost of sales

Cost of sales comprises the direct operating expenses incurred in the delivery of contractually agreed goods and services. These are predominantly staff costs (including wages and salaries, social security costs and other pension costs) of operational staff directly engaged in service delivery, such as cleaning staff, chefs, canteen staff and security guards, as well as the cost of subcontractors, depreciation of site-based equipment and (especially in the Catering division, where the cost of food purchases represents a significant operating expense) the cost of consumables.

Servest UK's cost of sales are mainly variable costs that tend to fluctuate with activity levels. As a percentage of revenues, cost of sales represented 81.9%, 82.3% and 81.5% in fiscal years 2017/16, 2016/15 and 2015/14, respectively. With respect to staff costs in particular, Servest UK aims to adjust costs to align with its activity levels, including part-time and fixed-term contracts. The relatively high employee turnover rate in certain of Servest UK's divisions (and in particular in the Cleaning division) has historically also been helpful in managing staff costs. In addition, applicable law in the United Kingdom also tends to result in natural adjustments to operational staff numbers as contracts are won and lost, as it generally requires that existing employees involved in the provision of services to buildings or assets be transferred from a prior service provider to a new service provider that has won a relevant contract.

Cost of sales have also been impacted by regulatory change during the periods under review, and in particular by scheduled increases in the UK National Living Wage that began in 2016 for workers aged 25 and over and to a lesser extent by auto-enrolment pension costs. However, the impact of these increases on cost of sales as a percentage of revenue has been limited because, under most of its current contractual arrangements, Servest UK is able to pass through these costs to its customers, which results in matching increases in revenue (either concurrently or with a short time lag).

The impact on cost of sales (and the matching effect on revenues) of the UK National Living Wage has generally been most significant in the Cleaning division, with a more modest impact on the Catering and Security divisions and minimal impact on the Building Services division, due to the differing degrees to which these divisions make use of employees that earn the statutory minimum wage. As a service business operating in an industry with relatively low-margins, Servest UK maintains a rigorous focus on cost containment to keep its cost of sales (and particularly the cost of operational staff stable), seeking in particular to optimize the number, deployment and hours of operational staff, especially operational management teams and of operational staff generally under performance-based contracts (which typically depend on the overall quality, instead of the quantity, of work performed). It also routinely reviews its purchase and supply relationships to with a view to improving purchasing synergies (particularly following acquisitions).

Administrative expenses

Administrative expenses mainly comprise depreciation of Servest UK's non site-based fixed assets (primarily motor vehicles and IT equipment and software), amortization of intangible assets and overhead costs that are not directly attributable to the actual delivery of goods and services. As a percentage of revenues, administrative expenses (excluding non-underlying items) represented 13.8%, 14.8% and 14.9% in fiscal years 2017/16, 2016/15 and 2015/14, respectively.

Overhead costs include staff costs (including wages and salaries, social security costs and other pension costs) of Servest UK's directors and administrative and management staff, including its finance, marketing, IT, training and development, health and safety and human resources functions, as well as other administrative expenses (such as travel expenses, insurance, legal services, auditor remuneration and, prior to the three months ended December 31, 2017, rental costs for Servest UK's offices). (Since October 1, 2017, as Servest UK has early adopted IFRS 16, operating lease rentals paid by Servest UK as an operating lessee are no longer recognized as overhead costs, but have generally been reclassified as either depreciation or interest expense.. As overheads in particular primarily represent fixed costs, Servest UK works actively to limit and optimize its overheads, particularly upon completion of acquisitions, by engaging in cost containment practices, including reduction of redundant administrative and management staff, procurement optimization and merging facilities and offices.

Persistent pressure on pricing and margins

The periods under review have been characterized by persistent customer pricing pressure across Servest UK's operations (including, in general, when Servest UK bids for new contracts or seeks to renew or extend existing contracts but also, increasingly, throughout the life of a contract). This particularly applies to its longer-term contracts with larger customers, which account for a significant portion of the revenue of each division and who are increasingly motivated to seek cost savings from their external service providers and possess significant bargaining power to negotiate terms favorable to them.

In general, Servest UK does not bid for contracts where it expects margins to be negative and has, in certain cases during the periods under review, elected not to renew contracts even with certain large clients where it expected such contracts to become unprofitable. However, the generally weak pricing environment has led to a modest decline in Adjusted EBITDA margins over the periods under review, which decreased from 7.0% in fiscal year 2014/15 to 6.4% in fiscal year 2015/16 before rising slightly to 6.6% in fiscal year 2017/16. Where possible and consistent with its overall strategy, Servest UK seeks to mitigate the impact of the weak pricing environment on its margins, including by focusing its organic and acquisition-driven growth efforts on more profitable sectors and on cross-selling higher-margin services to its existing customers. For example, within the Cleaning division, Servest UK has, during the periods under review, increased (and seeks to further increase) the proportion of public sector contracts in its business mix as part of a broader effort to diversify its customer base. As such public contracts tend to be longer-term and to require less initial capital expenditures, and also because Servest UK focuses in particular on complex public tenders that are awarded primarily on the basis of the technical quality of the service offering rather than on a cost basis, public contracts in the Cleaning division tend to improve its overall margins as well as helping to diversify its customer base. Servest UK has also implemented cost containment efforts, which have helped reduce overhead costs as a percentage of revenue while holding other operating expenses as a percentage of revenue relatively steady

Seasonality and working capital fluctuations

Servest UK's business is subject to some seasonal fluctuations. In particular, project work in the Building Services division is typically reduced in the winter months and increased in the spring, summer and autumn because of weather conditions. The Catering division also contributes to seasonality to a more limited extent because of a reduction in activity in the education sector during school holiday periods (typically, at year end and during the summer months).

Servest UK's net working capital requirements are subject to more significant seasonal variations. In particular, since Servest UK makes large quarterly VAT payments on the last working day of October, January, April and July, Servest UK's net working capital requirements generally peak sharply at the end of each of those months, and decrease in the interim three month period running up to payment as the VAT payable builds up in line with the provision of services. In addition, the seasonality of the Building Services division discussed above (together with associated start-up costs for new projects and fee arrangements under which service providers are typically paid on the completion of agreed project milestones) can also lead to a modest trend of increasing working capital requirements from the spring to the autumn. Net working capital requirements also tend to increase throughout the fiscal year, and are typically lowest in September because, in preparation for year end, Servest UK sets strong cash collection targets and carefully manages supplier payments (but always by agreement with relevant suppliers), which typically leads to a positive operating cash inflow in the fourth quarter of each fiscal year.

Description of Key Line Items in Servest UK's Statement of Profit and Loss

Revenue. Revenue represents amounts derived from the provision of contractually agreed goods and services by Servest UK's operating divisions, exclusive of value-added tax and trade discounts. Revenues for services provided by the Cleaning, Catering, Security and Pest Control and Compliance divisions as well as maintenance services provided by the Building Services division are generally recognized in the month during which the relevant goods or services are delivered. In the Building Services division, long-term contract accounting is typically applied to project-based work, which generally results in revenue (and related costs) being recognized in the income statement as contract activity progresses by reference to the proportion of works which have been completed relative to agreed contract conditions.

Cost of sales. Cost of sales comprise the direct operating expenses incurred in the delivery of contractually agreed goods and services in each of Servest UK's service divisions, in particular staff costs of operational staff directly engaged in service delivery, such as cleaning staff, chefs, canteen staff and security guards, as well as subcontractor costs, depreciation of site-based equipment and the cost of consumables (especially in the Catering division, where the cost of food purchases represents a significant operating expense).

Administrative expenses. Administrative expenses mainly comprise depreciation of Servest UK's non-site based fixed assets (primarily motor vehicles and IT equipment and software), amortization of intangible and overhead costs that are not directly attributable to the actual delivery of goods and services. Overhead costs include staff costs (including wages and salaries, social security costs and other pension costs) of Servest UK's directors and administrative and management staff, including its finance, marketing, IT, training and development, health and safety and human resources functions, as well as administrative expenses (such as travel expenses, insurance, legal services, auditor remuneration and, prior to the three months ended December 31, 2017, rental costs for Servest UK's offices). Since October 1, 2017, Servest UK adopted IFRS 16. As a result, operating lease rentals paid by Servest UK as an operating lessee are no longer recognized as overhead costs, but have generally been reclassified as either depreciation or interest expense. ***Share of net profit (loss) in associate.*** Share of net profit (loss) in associate represents Servest UK's share of profit (loss) after tax of Getronics, a multi-national provider of technology services, in which Servest UK purchased a 28.8% minority interest in July 2017.

Finance income and Finance costs. Finance income consists primarily of interest income relating to general corporate cash balances. Finance costs consist primarily of interest on external borrowings, amortization of issue costs and interest incurred on finance lease agreements and hire purchase contracts.

Taxation. Taxation is the corporate tax charge for the year after taking any deferred tax into consideration.

Results of operations for the three months ended December 31, 2017 and December 31, 2016

	For the three months ended December 31,	
	2016	2017
	£ in millions (unaudited)	
Revenue	114.2	115.9
Cost of sales	(99.1)	(97.6)
Gross profit	**15.1**	**18.2**
Administrative expenses	(19.7)	(17.2)
Operating profit/(loss)	**(4.6)**	**(1.0)**
Share of net loss in associate	—	(4.2)
Finance income	—	0.1
Finance costs	(10.5)	(4.7)
Loss before taxation	**(15.1)**	**(7.8)**
Taxation	0.6	0.2

Loss for the period	**(14.5)**	**(7.6)**
Adjusted EBITDA for the period	**6.1**	**5.6**

Revenue

The following table sets forth the breakdown of Servest UK's revenue for the periods indicated by division:

	For the three months ended December 31,	
	2016	**2017**
	£ in millions (unaudited)	
Revenue		
Cleaning	45.2	43.6
Building Services	37.1	37.8
Catering	24.2	25.4
Security	6.8	8.3
Other	0.9	0.8
Total Revenue	**114.2**	**115.9**

Revenue increased by £1.7 million, or 1.5%, to £115.9 million in the three months ended December 31, 2017, as compared to £114.2 million in the three months ended December 31, 2016. The increase was mainly attributable to the full-period impact of the acquisitions of Arthur McKay and Catering Academy in October 2016, organic growth in the Security division as well as the impact of increases in the UK National Living Wage (the impact of which on operational staff has largely been matched by increased revenue as a result of pass- through arrangements in most of Servest UK's contractual arrangements). This was partially offset by the impact of weaker organic performance in the Cleaning and Catering divisions.

Cleaning. Revenue of the Cleaning division decreased by £1.6 million, or 3.5%, to £43.6 million in the three months ended December 31, 2017, as compared to £45.2 million in the three months ended December 31, 2016. The decrease was primarily attributable to the loss of the Sainsbury's cleaning contract during the period and the retender of the Tesco contract late in fiscal year 2017/16 (which reduced requirements for Cleaning services, while increasing services from Catering). This decrease was partially offset by smaller new contract wins, such as with Eurostar, and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. The quarter also saw significant new contract wins, including from Canary Wharf, TK Maxx, HMRC and the Metropolitan Police, that did not generate revenue in the quarter itself but which are expected to begin generating revenue later in fiscal year 2018/17. Revenue from the Cleaning division represented 37.6% of Servest UK's revenue in the three months ended December 31, 2017, as compared to 39.6% in the three months ended December 31, 2016.

Building Services. Revenue of the Building Services division increased by £0.7 million, or 1.9%, to £37.8 million in the three months ended December 31, 2017, as compared to £37.1 million in the three months ended December 31, 2016. This increase was primarily due to the business of Arthur McKay, acquired in October 2016, being reflected throughout the period (while only being reflected for a portion of the prior period), although the overall increase in revenues as a result of the acquisition between the two periods was modest because Arthur McKay activity levels in the late autumn and winter of 2016 (when Building Services activity is typically slow) were particularly high due to project-based work in Edinburgh for John Lewis. Revenue from the Building Services division represented 32.6% of Servest UK's revenue in the three months ended December 31, 2017, as compared to 32.5% in the three months ended December 31, 2016.

Catering. Revenue of the Catering division increased by £1.2 million, or 5.0%, to £25.4 million in the three months ended December 31, 2017, as compared to £24.2 million in the three months ended December 31, 2016. This increase was primarily due to the expansion of Catering services to Tesco following the contract retender referred to above, the business of Catering Academy, acquired in October 2016, being reflected throughout the period (while only being reflected for a portion of the prior period), and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. This increase in revenue was partially offset by the loss of some smaller contracts, such as DHL, Hovis and Trinity Port. Revenue from the Catering division represented 21.9% of Servest UK's revenue in the three months ended December 31, 2017, as compared to 21.2% in the three months ended December 31, 2016.

Security. Revenue of the Security division increased by £1.5 million, or 22.1%, to £8.3 million in the three months ended December 31, 2017, as compared to £6.8 million in the three months ended December 31, 2016. This increase was primarily attributable to new contract wins, including on the High Speed Two (HS2) railway project in the fourth quarter of fiscal year 2017/16 where Servest UK has been contracted to guard construction sites until the building work is completed, and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. This increase was partially offset by declines in ad-hoc security implementation business. Revenue from the Security division represented 7.2% of Servest UK's revenue in the three months ended December 31, 2017, as compared to 6.0% in the three months ended December 31, 2016.

Operating expenses

Cost of sales

Cost of sales decreased by £1.4 million, or 1.4%, from £99.1 million in the three months ended December 31, 2016 to £97.7 million in the three months ended December 31, 2017. This decrease principally reflected the success of general cost containment efforts with respect to operational staff, such as the reduction of management staff within growing divisions to reduce redundancy, and the full-period impact of improved food purchase synergies in the Catering division following the acquisition of Catering Academy. This was partially offset by additional costs due to the full-period impact of the acquisitions of Arthur McKay and Catering Academy, organic growth in the Catering and Security divisions, mobilization costs in preparation for the increased Catering services to be provided to Tesco in the coming years following the contract retender referred to above as well as salary increases for operational staff as a result of the UK National Living Wage.

As a percentage of Servest UK's revenue, cost of sales decreased to 84.3% of revenue in the three months ended December 31, 2017 as compared to 86.8% of Servest UK's revenue in the three months ended December 31, 2016. This decrease as a percentage of revenue primarily reflected the positive impact of general cost containment efforts with respect to operational staff and the full-period impact of improved food purchase synergies in the Catering division noted above.

Administrative expenses

Administrative expenses decreased by £2.5 million, or 12.7%, from £19.7 million in the three months ended December 31, 2016 to £17.2 million in the three months ended December 31, 2017. Excluding non-underlying items, administrative expenses increased by 39.3% from £11.2 million in the three months ended December 31, 2016 to £15.6 million in the three months ended December 31, 2017. This increase in administrative expenses excluding non-underlying items principally reflected the full-period impact of the acquisitions of Arthur McKay and Catering Academy and the resulting increases in administrative and management staff, as well as general salary increases (not linked to the UK National Living Wage) for administrative and management staff.

As a percentage of revenue, administrative expenses excluding non-underlying items increased to 13.5% of Servest UK's revenue in the three months ended December 31, 2017, as compared to 9.8% of Servest UK's revenue in the three months ended December 31, 2016. This increase as a percentage of revenue and excluding non-underlying items principally reflected the increases in administrative costs for the full quarter impact of the Arthur McKay (which, for the reasons discussed above, coincided with only a modest increase in Arthur McKay revenues) and Catering Academy acquisitions and salary increases for administrative and management staff.

Depreciation and amortization decreased by £0.3 million, or 6.5%, from £4.6 million in the three months ended December 31, 2016 to £4.3 million in the three months ended December 31, 2017, principally due to the fact that the intangible assets acquired through the acquisitions of Arthur McKay and Catering Academy were fully amortized in fiscal year 2017/16 and did not require any amortization in the three months ended December 31, 2017.

The aggregate £1.6 million of non-underlying expenses recorded within administrative expenses in the three months ended December 31, 2017 comprised £1.3 million in amortization of acquired intangible assets and £0.3 million in costs related to redundancy payments to employees.

The aggregate £8.5 million of non-underlying expenses recorded within administrative expenses in the three months ended December 31, 2016 comprised £2.4 million in amortization of acquired intangible assets, £2.0 million in acquisition-related costs, £0.2 million in costs related to redundancy payments to employees and £3.9 million in goodwill and intangible asset impairment charge.

Share of net profit (loss) in associate

Share of net loss in associate amounted to £4.2 million in the three months ended December 31, 2017, as compared to nil in the three months ended December 31, 2016. The share of loss in associate was attributable to the minority interest acquired in Getronics.

Finance income

Finance income increased by £0.1 million from nil in the three months ended December 31, 2016 to £0.1 million in the three months ended December 31, 2017. This increase was principally due to receipt of interest on long-term receivables.

Finance costs

Finance costs decreased by £5.8 million, or 55.2%, from £10.5 million in the three months ended December 31, 2016 to £4.7 million in the three months ended December 31, 2017. This decrease was principally due to a £7.0 million recognition of expense in the three months ended December 31, 2016 in relation to the forward contract entered into in connection with the refinancing completed in fiscal year 2017/16.

Taxation

Taxation income decreased by £0.4 million, or 66.7%, from £0.6 million in the three months ended December 31, 2016 to £0.2 million in the three months ended December 31, 2017, primarily due to a corporate interest restriction in the United Kingdom which became effective in April 2017, reducing the amount of interest Servest UK could deduct from its taxable profits. Taxation income in the three months ended December 31, 2017 comprised a current tax charge of nil (as compared to a current tax charge of £0.5 million in the three months ended December 31, 2016) and a deferred tax credit of £0.2 million (as compared to a deferred tax credit of £1.1 million in the three months ended December 31, 2016).

Loss for the period

Loss for the period decreased by £6.9 million from £14.5 million in the three months ended December 31, 2016 to a loss of £7.6 million in the three months ended December 31, 2017, for the reasons explained above.

Adjusted EBITDA

The following table sets forth the breakdown of Servest UK's Adjusted EBITDA for the periods indicated by division:

	For the three months ended December 31, 2016	2017
	£ in millions (unaudited)	
Cleaning	2.2	4.1
Building Services	1.9	0.6
Catering	1.8	1.1
Security	0.1	0.0
Other	0.1	0.0
Adjusted EBITDA	6.1	5.6

Adjusted EBITDA decreased by £0.5 million, or 8.2%, to £5.6 million in the three months ended December 31, 2017, as compared to £6.1 million in the three months ended December 31, 2016 for the reasons discussed above. Adjusted EBITDA margin decreased to 4.8% in the three months ended December 31, 2017, as compared to 5.3% in the three months ended December 31, 2016.

Cleaning. Adjusted EBITDA for the Cleaning division increased by £1.9 million, or 86.4%, to £4.1 million in the three months ended December 31, 2017, as compared to £2.2 million in the three months ended December 31, 2016. The Adjusted EBITDA margin for the Cleaning division increased to 9.4% in the three months ended December 31, 2017, as compared to 4.9% in the three months ended December 31, 2016. The increase was primarily due to a decrease in residual overhead costs not allocable to any particular operating division, which changed from a residual overhead cost of £0.1 million in the three months ended December 31, 2016 to residual income of £1.4 million in the three months ended December 31, 2017. This was primarily as a result of the adoption of IFRS 16 (due to which operating lease rentals paid by Servest UK as an operating lessee are no longer recognized as overhead costs, but have generally been reclassified as either depreciation or interest expense). Excluding the impact of residual overhead costs, Adjusted EBITDA margin for the Cleaning division in isolation increased slightly, primarily as a result of the retender of the Tesco contract (the Cleaning component of which had lower-than-average margins relative to the Cleaning division as a whole). This increase was partially offset by the impact of salary increases for administrative and management staff noted above.

Building Services. Adjusted EBITDA for the Building Services division decreased by £1.3 million, or 68.4%, to £0.6 million in the three months ended December 31, 2017, as compared to £1.9 million in the three months ended December 31, 2016. The Adjusted EBITDA margin for the Building Services division decreased to 1.6% in the three months ended December 31, 2017, as compared to 5.1% in the three months ended December 31, 2016. This decrease was mainly due to elevated administrative expenses as a result of the full-period impact of the acquisition of Arthur McKay, which, for the reasons discussed above, coincided with only a modest increase in divisional revenues, as well as the impact of salary increases for administrative and management staff noted above.

Catering. Adjusted EBITDA for the Catering division decreased by £0.7 million, or 38.9%, to £1.1 million in the three months ended December 31, 2017, as compared to £1.8 million in the three months ended December 31, 2016. The Adjusted EBITDA margin for the Catering division decreased to 4.3% in the three months ended December 31, 2017, as compared to 7.4% in the three months ended December 31, 2016. The decrease was mainly due to the mobilization costs incurred in the quarter in preparation for the increased Catering services to be provided to Tesco in the coming years, the full-period impact of the acquisition of Catering Academy, which had significantly lower-margin contracts than the rest of the Catering division and the salary increases for administrative and management staff noted above, although this was mitigated to some extent by the increased purchasing synergies and some cost savings on overheads following the acquisition noted above.

Security. Adjusted EBITDA for the Security division decreased to nil in the three months ended December 31, 2017 from £0.1 million in the three months ended December 31, 2016. The Adjusted EBITDA margin for the Security division decreased to nil in the three months ended December 31, 2017, as compared to 1.5% in the three months ended December 31, 2016. This decrease was primarily due to the underperformance of the ad-hoc systems implementation business in the three months ended December 31, 2017 and the salary increases for administrative and management staff noted above.

Results of operations for fiscal years 2017/16 and 2016/15

	For the fiscal year ended September 30,	
	2016	**2017**
	£ in millions	
Revenue	**284.0**	**456.8**
Cost of sales	(233.8)	(373.9)
Gross profit	**50.2**	**82.9**
Administrative expenses	(42.9)	(79.8)
Operating profit	**7.3**	**3.1**
Share of net loss in associate	—	(2.6)
Finance income	0.1	0.1
Finance costs	(8.7)	(26.9)
Loss before taxation	**(1.3)**	**(26.3)**
Taxation	0.6	2.2
Loss for the year	**(0.7)**	**(24.1)**

Revenue

The following table sets forth the breakdown of Servest UK's revenue for the periods indicated by division:

	For the fiscal year ended September 30,	
	2016	**2017**
	£ in millions (unaudited)	
Revenue		
Cleaning	173.4	184.8
Building Services	24.1	150.7
Catering	57.2	89.9
Security	25.5	27.9
Other	3.8	3.5
Total Revenue	**284.0**	**456.8**

Revenue increased by £172.8 million, or 60.8%, to £456.8 million in fiscal year 2017/16, as compared to £284.0 million in fiscal year 2016/15. The increase was mainly attributable to the acquisitions of Arthur McKay and

Catering Academy in October 2016, and to a lesser extent organic growth in the Cleaning and Security divisions and the impact of increases in the UK National Living Wage (the impact of which on operational staff has largely been matched by increased revenue as a result of pass-through arrangements in most of Servest UK's contractual arrangements).

Cleaning. Revenue of the Cleaning division increased by £11.4 million, or 6.6%, to £184.8 million in fiscal year 2017/16, as compared to £173.4 million in fiscal year 2016/15. This increase was primarily attributable to the full-year impact of new contract wins with Great Western Railway and John Lewis, which were entered into in the fourth quarter of fiscal year 2016/15, as well as revenue growth from existing customers, including Primark and Morrisons (albeit at generally lower margins), and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. This was partially offset by a decrease in revenues from the division's largest client, Tesco, following the Tesco contract's retender (which reduced requirements for Cleaning services, while increasing Catering services) and the full-year impact of smaller contract losses with the National Science Museum and National History Museum, which were lost near the end of fiscal year 2016/15. Revenue from the Cleaning division represented 40.5% of Servest UK's revenue in fiscal year 2017/16, as compared to 61.1% in fiscal year 2016/15, with the decrease primarily due to the significant increase in the size and relative importance of the Building Services division following the acquisition of Arthur McKay

Building Services. Revenue of the Building Services division increased by £126.6 million, over five-fold, to £150.7 million in fiscal year 2017/16, as compared to £24.1 million in fiscal year 2016/15. The increase was primarily due to the acquisition of Arthur McKay in October 2016, with the organic performance of the pre-acquisition (primarily maintenance-based) business remaining broadly stable. Revenue from the Building Services division represented 33.0% of Servest UK's revenue in fiscal year 2017/16, as compared to 8.5% in fiscal year 2016/15.

Catering. Revenue of the Catering division increased by £32.7 million, or 57.2%, to £89.9 million in fiscal year 2017/16, as compared to £57.2 million in fiscal year 2016/15. This increase was primarily due to the acquisition of Catering Academy in October 2016, which contributed £34.9 million of revenue in fiscal year 2017/16. Organic revenue growth in the division was slightly negative due to contract losses and reductions in revenues from existing customers more than offsetting additional revenues from new contract wins, revenue growth from existing customers and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. Revenue from the Catering division represented 19.7% of Servest UK's revenue in fiscal year 2017/16, as compared to 20.1% in fiscal year 2016/15.

Security. Revenue of the Security division increased by £2.4 million, or 9.4%, to £27.9 million in fiscal year 2017/16, as compared to £25.5 million in fiscal year 2016/15. This increase was partially attributable to new contract wins, including on the High Speed Two (HS2) railway project in the fourth quarter of fiscal year 2017/16 where Servest UK has been contracted to guard construction sites until the building work is completed, as well as revenue growth from existing customers and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. Revenue from the Security division represented 6.1% of Servest UK's revenue in fiscal year 2017/16, as compared to 9.0% in fiscal year 2016/15.

Operating expenses

Cost of sales

Cost of sales increased by £140.1 million, or 59.9%, from £233.8 million in fiscal year 2016/15 to £373.9 million in fiscal year 2017/16. This increase was principally due to the incurrence of additional costs related to the expansion of Servest UK's activities following the acquisitions of Arthur McKay and Catering Academy and organic growth in the Cleaning division, including related increases in staff costs and the use of subcontractors (since Arthur McKay's large project-based framework contracts tends to entail greater requirements for services not provided by Servest UK staff) and food used in expanded Catering division services, as well as salary increases for operational staff as a result of the UK National Living Wage. This increase was partially offset by general cost containment efforts with respect to operational staff costs and improved food purchase synergies in the Catering division following the acquisition of Catering Academy.

As a percentage of revenue, cost of sales declined slightly to 81.9% of revenue in fiscal year 2017/16, as compared to 82.3% of revenue in fiscal year 2016/15. This slight decrease as a percentage of revenue primarily reflected the positive impact of the acquisition-driven shift in the overall contractual mix towards generally higher-margin Building Services, as well as the positive impact of general cost containment efforts and improved food purchase synergies in the Catering division, which more than offset the negative impact of other shifts in the contractual mix towards generally lower-margin contracts, such as the new contract wins with Great Western Railway and John Lewis in the Cleaning division mentioned above.

Administrative expenses

Administrative expenses increased by £36.9 million, or 86.0%, from £42.9 million in fiscal year 2016/15 to £79.8 million in fiscal year 2017/16. Excluding non-underlying items, administrative expenses increased by £21.0 million, or 49.9%, from £42.1 million in fiscal year 2016/15 to £63.1 million in fiscal year 2017/16 excluding non-underlying items. The increase excluding non-underlying items principally reflected the acquisitions of Arthur McKay and Catering Academy, including resulting increases in administrative staff. This was offset to some extent by successful efforts to reduce overheads following the acquisitions as well as more generally.

As a percentage of revenue, administrative expenses excluding non-underlying items decreased to 13.8% of Servest UK's revenue in fiscal year 2017/16, as compared to 14.8% of revenue in fiscal year 2016/15. The decrease as a percentage of revenue excluding non-underlying items principally reflected the positive impact of the acquisition-driven shift in the overall contractual mix towards generally higher-margin Building Services as well as the reductions in overheads noted above. This decrease was partially offset by the negative impact of other shifts in the contractual mix noted above towards generally lower-margin contracts.

Depreciation and amortization increased by £9.6 million, or 95.0%, from £10.1 million in fiscal year 2016/15 to £19.7 million in fiscal year 2017/6, due principally to the increase in the total amount of intangible and tangible assets on Servest UK's balance sheet following the acquisitions of Arthur McKay and Catering Services.

The aggregate £16.7 million of non-underlying expenses recorded within administrative expenses in fiscal year 2017/16 comprised £9.5 million in amortization of acquired intangible assets, £3.9 million in charges related to the impairment of goodwill and intangible assets, £2.0 million in acquisition related costs, £1.5 million in costs related to redundancy payments to employees and a £0.2 million credit related to movement in the fair value of contingent consideration on acquisitions. The aggregate £0.8 million of non-underlying expenses recorded within administrative expenses in fiscal year 2016/15 comprised £0.9 million in charges related to the impairment of goodwill and intangible assets, £0.9 million in costs related to redundancy payments to employees, and a £1.0 million credit related to the movement in the fair value of contingent consideration.

Share of net profit (loss) in associate

Share of net loss in associate amounted to £2.6 million in fiscal year 2017/16, as compared to nil in fiscal year 2016/15. The share of loss in associate was attributable to our minority interest in Getronics.

Finance income

Finance income remained stable at £0.1 million in fiscal year 2017/16 and fiscal year 2016/15.

Finance costs

Finance costs increased by £18.2 million, or 209.2%, from £8.7 million in fiscal year 2016/15 to £26.9 million in fiscal year 2017/16. This increase was principally due to the refinancing completed in fiscal year 2017/16, which included additional borrowings related to acquisitions and investments. This increase was in addition to the one time recognition of a forward contract charge in December 2016.

Taxation

Taxation income increased by £1.6 million from £0.6 million in fiscal year 2016/15 to £2.2 million in fiscal year 2017/16. Taxation in fiscal year 2017/16 comprised a current tax charge of £0.4 million (as compared to £0.1 million in fiscal year 2016/15) and a deferred tax credit of £2.6 million related to the origination and reversal of temporary differences and adjustments in respect of prior years (as compared to £0.7 million in fiscal year 2016/15).

Loss for the year

Loss for the year increased by £23.4 million from a loss of £0.7 million in fiscal year 2016/15 to a loss of £24.1 million in fiscal year 2017/16, for the reasons explained above.

Adjusted EBITDA

The following table sets forth the breakdown of Servest UK's Adjusted EBITDA for the periods indicated by division:

	For the fiscal year ended September 30,	
	2016	2017
	£ in millions (unaudited)	
Cleaning and Corporate	10.7	13.3
Building Services	1.8	10.1
Catering	4.2	5.9
Security	1.5	0.5
Other	—	0.2
Adjusted EBITDA	**18.2**	**30.0**

Adjusted EBITDA increased by £11.8 million, or 64.8%, to £30.0 million in fiscal year 2017/16, as compared to £18.2 million in fiscal year 2016/15 for the reasons discussed above. Adjusted EBITDA margin increased to 6.6% in fiscal year 2017/16, as compared to 6.4% in fiscal year 2016/15.

Cleaning and Corporate. Adjusted EBITDA for the Cleaning (and Corporate) division increased by £2.6 million, or 24.3%, to £13.3 million in fiscal year 2017/16, as compared to £10.7 million in fiscal year 2016/15. The Adjusted EBITDA margin for the Cleaning (and Corporate) division increased to 7.2% in fiscal year 2017/16, as compared to 6.2% in fiscal year 2016/15. The increase was mainly due to a reduction in residual overhead costs not allocable to any particular operating division, which changed from residual overhead costs of £0.7 million in fiscal year 2016/2015 to residual income of £0.3 million in fiscal year 2017/16. Excluding the impact of residual overhead costs, Adjusted EBITDA margin decreased slightly, primarily as a result of the new contracts with Great Western Railway and John Lewis, which were lower-margin, and the full-year impact of contract losses with the National Science Museum and National History Museum, which were lost near the end of fiscal year 2016/15.

Building Services. Adjusted EBITDA for the Building Services division increased by £8.3 million, or 461.1%, to £10.1 million in fiscal year 2017/16, as compared to £1.8 million in fiscal year 2016/15. The Adjusted EBITDA margin for the Building Services division decreased to 6.7% in fiscal year 2017/16, as compared to 7.5% in fiscal year 2016/15. The decrease was mainly due to the acquisition of Arthur McKay, which generally had larger, lower-margin contracts than the rest of the Building Services division.

Catering. Adjusted EBITDA for the Catering division increased by £1.7 million, or 40.5%, to £5.9 million in fiscal year 2017/16, as compared to £4.2 million in fiscal year 2016/15. The Adjusted EBITDA margin for the Catering division decreased to 6.6% in fiscal year 2017/16, as compared to 7.3% in fiscal year 2016/15. The decrease was mainly due to the acquisition of Catering Academy, which had significantly lower-margin contracts than the rest of the Catering division. This decrease was partially offset by increased purchasing synergies of the Catering division following the acquisition of Catering Academy and cost savings on overheads following the acquisition.

Security. Adjusted EBITDA for the Security division decreased by £1.0 million, or 66.7%, to £0.5 million in fiscal year 2017/16, as compared to £1.5 million in fiscal year 2016/15. The Adjusted EBITDA margin for the Security division decreased to 1.8% in fiscal year 2017/16, as compared to 5.9% in fiscal year 2016/15. The decrease was mainly due to severe pricing pressures for security services generally and a shift in the Security division's contractual mix towards guarding services, which provide recurring revenue streams at lower margins compared to ad-hoc systems implementation work, as well as new contract wins at lower margins.

Results of operations for fiscal years 2016/15 and 2015/14

	For the fiscal year ended September 30,	
	2015	2016
	£ in millions	
Revenue	**239.5**	**284.0**
Cost of sales	(195.3)	(233.8)
Gross profit	**44.2**	**50.2**
Administrative expenses	(33.9)	(42.9)
Operating profit	**10.4**	**7.3**
Share of net loss in associate	—	—
Finance income	—	0.1
Finance costs	(7.7)	(8.7)
Profit/(loss) before taxation	**2.7**	**(1.3)**
Taxation	0.8	0.6

Profit/(loss) for the year	**3.5**	**(0.7)**

Revenue

The following table sets forth the breakdown of Servest UK's revenue for the periods indicated by division:

	For the fiscal year ended September 30,	
	2015	**2016**
	£ in millions (unaudited)	
Revenue		
Cleaning	132.2	173.4
Building Services	25.6	24.1
Catering	54.7	57.2
Security	24.5	25.5
Other	2.5	3.8
Total Revenue	**239.5**	**284.0**

Revenue increased by £44.5 million, or 18.6%, to £284.0 million in fiscal year 2016/15, as compared to £239.5 million in fiscal year 2015/14. The increase was mainly attributable to organic growth in the Cleaning division and the impact of increases in the UK National Living Wage, which became effective during fiscal year 2016/15 (and the impact of which on operational staff has largely been matched by increased revenue as a result of pass-through arrangements in most of Servest UK's contractual arrangements).

Cleaning. Revenue of the Cleaning division increased by £41.2 million, or 31.2%, to £173.4 million in fiscal year 2016/15, as compared to £132.2 million in fiscal year 2015/14. This increase was primarily attributable to some new contracts, including the full-year impact in fiscal year 2016/15 of new contracts with Home Retail Group and the City of London towards the end of fiscal year 2015/14 and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. Revenue from the Cleaning division represented 61.1% of Servest UK's revenue in fiscal year 2016/15, as compared to 55.2% in fiscal year 2015/14.

Building Services. Revenue of the Building Services division decreased by £1.5 million, or 5.9%, to £24.1 million in fiscal year 2016/15, as compared to £25.6 million in fiscal year 2015/14. The decrease was primarily due to contract losses and reductions in revenues from existing customers. Revenue from the Building Services division represented 8.5% of Servest UK's revenue in fiscal year 2016/15, as compared to 10.7% in fiscal year 2015/14.

Catering. Revenue of the Catering division increased by £2.5 million, or 4.6%, to £57.2 million in fiscal year 2016/15, as compared to £54.7 million in fiscal year 2015/14. This modest increase was primarily due to a bolt-on acquisition, which contributed £3.4 million of revenue in fiscal year 2016/15 and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. This was partially offset by the negative revenue impact of contract losses and reductions in revenues from existing customers. Revenue from the Catering division represented 20.1% of Servest UK's revenue in fiscal year 2016/15, as compared to 22.8% in fiscal year 2015/14.

Security. Revenue of the Security division increased slightly by £1.0 million, or 4.1%, to £25.5 million in fiscal year 2016/15, as compared to £24.5 million in fiscal year 2015/14. The increase was primarily due to a major new contract entered into with the Foreign and Commonwealth Office in April 2016 and increased revenues mentioned above linked to Servest UK's increased costs in respect of the UK National Living Wage. This was partially offset by the effect of contract losses and reductions in revenues from existing customers. Revenue from the Security division represented 9.0% of Servest UK's revenue in fiscal year 2016/15, as compared to 10.2% in fiscal year 2015/14.

Operating expenses

Cost of sales

Cost of sales increased by £38.5 million, or 19.7%, from £195.3 million in fiscal year 2015/14 to £233.8 million in fiscal year 2016/15. This principally reflected organic growth in the Cleaning division and, to a lesser extent, a shift in the contractual mix of the Security division towards guarding services, which typically entails higher staff wages and salaries, additional costs from the bolt-on acquisition in the Catering division, as well as salary increases for operational staff as a result of the UK National Living Wage.

As a percentage of revenue, cost of sales increased slightly to 82.3% of revenue in fiscal year 2016/15, as compared to 81.5% of revenue in fiscal year 2015/14. This slight increase as a percentage of revenue primarily reflected the shift in the contractual mix over the year as a result of significant growth in the Cleaning division.

Administrative expenses

Administrative expenses increased by £9.0 million, or 26.5%, from £33.9 million in fiscal year 2015/14 to £42.9 million in fiscal year 2016/15. Excluding non-underlying items, administrative expenses increased by 17.9%, or by £6.4 million from £35.7 million in fiscal year 2015/14 to £42.1 million in fiscal year 2016/15 excluding non-underlying items. The increase excluding non-underlying items principally reflected the full-year impact of acquisitions undertaken in fiscal year 2015/14 to reinforce the pest control and compliance service offerings, the write-off of an impaired receivable, due to a customer filing for administration, and additional investments in administrative and management staff to support growth.

As a percentage of revenue, administrative expenses excluding non-underlying items was 14.8% in fiscal year 2016/15 and 14.9% in fiscal year 2015/14.

Depreciation and amortization increased by £2.0 million, or 24.7%, from £8.1 million in fiscal year 2015/14 to £10.1 million in fiscal year 2017/6, due primarily to increased capital expenditure in the Cleaning division relating to the new contract wins mentioned above.

The aggregate £0.8 million of non-underlying expenses recorded within administrative expenses in fiscal year 2016/15 comprised £0.9 million in charges related to the impairment of goodwill and intangible assets, £0.9 million in costs related to redundancy payments to employees, and a £1.0 million credit related to movement in the fair value of contingent consideration on the 7 Day Catering acquisition in 2012. The aggregate £1.8 million of non-underlying income recorded within administrative expenses in fiscal year 2015/14 comprised a £2.5 million discount on the settlement of deferred consideration and £0.7 million in acquisition-related costs.

Finance costs

Finance costs increased by £1.0 million, or 13.0%, from £7.7 million in fiscal year 2015/14 to £8.7 million in fiscal year 2016/15. This increase was principally due to additional borrowings at the beginning of fiscal year 2016/15 to retrospectively finance the pest control- and compliance-related acquisitions undertaken in fiscal year 2015/14.

Taxation

Taxation income decreased slightly by £0.2 million, or 25.0%, from £0.8 million in fiscal year 2015/14 to £0.6 million in fiscal year 2016/15. Taxation in fiscal year 2016/15 comprised a current tax charge of £0.1 million (as compared to £0.5 million in fiscal year 2015/14) and a deferred tax credit of £0.6 million related to the current year and adjustments in respect of prior periods (as compared to £1.3 million in fiscal year 2015/14).

Loss for the year

Loss for the year increased by £4.2 million from a profit of £3.5 million in fiscal year 2015/14 to a loss of £0.7 million in fiscal year 2016/15, for the reasons explained above.

Adjusted EBITDA

The following table sets forth the breakdown of Servest UK’s Adjusted EBITDA for the periods indicated by division:

	For the fiscal year ended September 30,	
	2015	**2016**
	£ in millions (unaudited)	
Cleaning and Corporate	9.1	10.7
Building Services	1.8	1.8
Catering	3.3	4.2
Security	2.1	1.5
Other	0.4	—
Adjusted EBITDA	**16.7**	**18.2**

Adjusted EBITDA increased by £1.5 million, or 9.0%, to £18.2 million in fiscal year 2016/15, as compared to £16.7 million in fiscal year 2015/14 for the reasons discussed above. Adjusted EBITDA margin decreased to 6.4% in fiscal year 2016/15, as compared to 7.0% in fiscal year 2015/14.

Cleaning and Corporate. Adjusted EBITDA for the Cleaning (and Corporate) division increased by £1.6 million, or 17.6%, to £10.7 million in fiscal year 2016/15, as compared to £9.1 million in fiscal year 2015/14. The Adjusted EBITDA margin for the Cleaning (and Corporate) division decreased to 6.2% in fiscal year 2016/15, as compared to 6.9% in fiscal year 2015/14. The decrease was mainly due to the full-year impact of new contract wins with Home Retail Group and City of London towards the end of fiscal year 2014/15, which were at lower-than-average margins for the division.

Building Services. Adjusted EBITDA for the Building Services division remained stable at £1.8 million in fiscal year 2016/15, as compared to fiscal year 2015/14. The Building Services division Adjusted EBITDA margin increased to 7.5% in fiscal year 2016/15, as compared to 7.0% in fiscal year 2015/14. The increase was mainly due to the contract losses and reductions in revenues from existing customers referred to above (which, on average, were less profitable than work retained).

Catering. Adjusted EBITDA for the Catering division increased by £0.9 million, or 27.3%, to £4.2 million in fiscal year 2016/15, as compared to £3.3 million in fiscal year 2015/14. The Adjusted EBITDA margin for the Catering division increased to 7.3% in fiscal year 2016/15, as compared to 6.0% in fiscal year 2015/14. The increase was mainly due to increased purchasing and cost saving synergies of the Catering division as a result of a bolt-on acquisition in December 2015.

Security. Adjusted EBITDA for the Security division decreased by £0.6 million, or 28.6%, to £1.5 million in fiscal year 2016/15, as compared to £2.1 million in fiscal year 2015/14. The Adjusted EBITDA margin for the Security division decreased to 5.9% in fiscal year 2016/15, as compared to 8.6% in fiscal year 2015/14. The decrease was mainly due to severe pricing pressures for security services generally and a shift in the Security division's contractual mix towards guarding services.

Liquidity and Capital Resources

Capital Resources

Servest UK's cash requirements consist mainly of the following:

- operating activities, including Servest UK's net working capital requirements;
- servicing Servest UK's indebtedness and the indebtedness of Servest UK's subsidiaries;
- funding acquisitions, including realizing cost synergies associated with acquisitions;
- funding capital expenditures; and
- paying taxes.

Servest UK's sources of liquidity have historically consisted mainly of the following:

- cash generated from Servest UK's operating activities; and
- borrowings under Servest UK's existing credit facilities.

As at December 31, 2017, Servest UK had net debt of £174.4 million as compared to £146.9 million, £74.6 million and £61.6 million as at September 30, 2017, 2016 and 2015, respectively. Servest UK defines net debt as gross borrowings less cash and cash equivalents.

As of December 31, 2017, Servest UK had cash and cash equivalents net of short-term bank loans and overdrafts of £(19.6) million as compared to £(0.7) million and £2.1 million as of September 30, 2017 and September 30, 2016, respectively.

Cash flows

The following table summarizes Servest UK's consolidated cash flow statements for the periods indicated:

	For the fiscal year ended September 30,			For the three months ended December 31,	
	2015	2016	2017	2016	2017
				£ in millions(unaudited)	
Net cash (outflow)/inflow from operating activities	0.2	(1.6)	(4.8)	(10.0)	(14.2)
Net cash outflow from investing activities	(19.3)	(9.6)	(61.1)	(39.0)	(4.1)
Net cash inflow from financing activities........................	7.7	(2.7)	63.1	46.5	(0.6)
Net increase/(decrease) in cash and cash equivalents..	**(11.4)**	**(13.9)**	**(2.8)**	**(2.5)**	**(18.9)**

Net cash outflow from operating activities

The following table sets out Servest UK's net cash outflow from operating activities for the periods indicated:

	For the fiscal year ended September 30,			For the three months ended December 31,	
	2015	2016	2017	2016	2017
			£ in millions		
				(unaudited)	
Cash receipts from customers.......................................	233.7	278.8	428.1	80.4	(108.3)
Cash paid to suppliers and employees..........................	(225.3)	(271.5)	(418.0)	(87.1)	(118.2)
Cash generated from operations	8.4	7.3	10.1	(6.7)	(9.9)
Interest received	—	—	0.1	—	—
Interest paid...	(7.1)	(8.4)	(13.4)	(3.5)	(4.3)
Income taxes paid...	(1.1)	(0.5)	(1.6)	0.2	—
Net cash inflow/(outflow) from operating activities	**0.2**	**(1.6)**	**(4.8)**	**(10.0)**	**(14.2)**

Net cash outflow from operating activities was £14.2 million in the three months ended December 31, 2017, comprised of £108.3 million in cash receipts from customers, £118.2 million in cash paid to suppliers and employees and £4.3 million of interest paid. Net cash outflow from operating activities was £10.0 million in the three months ended December 31, 2016, comprised of £80.4 million in cash receipts from customers, £87.1 million in cash paid to suppliers and employees, £0.0 million of interest received, £3.5 million of interest paid and £0.2 million of income taxes paid. In both the three months ended December 31, 2017 and December 31, 2016, net cash outflow from operating activities primarily reflected the overall performance of the business, but was also impacted by the normal reversal at the commencement of a new fiscal year of a portion of the active cash planning initiatives typically undertaken in the month of September of the preceding year in preparation for the fiscal year end. In addition, net cash outflow from operating activities in the three months ended December 31, 2017 was significantly impacted by mobilization costs in preparation for the increased Catering services to be provided to Tesco in the coming years following the contract retender discussed above, which entailed a significant working capital investment.

Net cash outflow from operating activities was £4.8 million in fiscal year 2017/16, comprised of £428.1 million in cash receipts from customers, £418.0 million in cash paid to suppliers and employees, £0.1 million of interest received, £13.4 million of interest paid and £1.6 million of income taxes paid. Net cash outflow from operating activities was £1.6 million in fiscal year 2016/15, comprised of £278.8 million in cash receipts from customers, £271.5 million in cash paid to suppliers and employees, £8.4 million of interest paid and £0.5 million of income taxes paid. Net cash inflow from operating activities was £0.2 million in fiscal year 2015/14, comprised of £233.7 million in cash receipts from customers, £225.3 million in cash paid to suppliers and employees, £7.1 million of interest paid and £1.1 million of income taxes paid. In each of fiscal years 2017/16, 2016/15 and 2015/14, net cash outflow from operating activities primarily reflected the overall performance of the business, but was impacted by increased working capital investments as a result of the substantial new contract wins and organic growth referred to above, particularly in the Cleaning division.

Servest UK's "days payable outstanding" were 37 days as at December 31, 2017, 40 days as at September 30, 2017, 33 days as at September 30, 2016 and 35 days as at September 30, 2015. Servest UK's "days sales outstanding" were 40 days as at December 31, 2017, 51 days as at September 30, 2017, 59 days as at September 30, 2016 and 61 days as at September 30, 2015.

Net cash outflow from investing activities

The following table sets out the principal components of Servest UK's net cash outflow from investing activities for the periods indicated:

	For the fiscal year ended September 30,			For the three months ended December 31,	
	2015	2016	2017	2016	2017
			£ in millions		
				(unaudited)	
Purchase of property, plant, equipment	(6.4)	(8.3)	(10.3)	(3.8)	(2.6)
Purchase of intangibles	—	(0.5)	(0.6)	—	(0.1)
Proceeds from the sale of equipment	0.1	—	0.8	—	—
Payment of deferred consideration	(2.2)	—	(0.2)	—	(1.4)
Payment of deferred share option	(7.0)	—	—	—	—
Equity investment in associate	—	—	(10.6)	—	—
Loan to associate	—	—	(4.9)	—	—
Acquisition of trade and assets/subsidiaries, net of cash acquired	(3.8)	(0.8)	(35.3)	(35.2)	—
Net cash outflow from investing activities	**(19.3)**	**(9.6)**	**(61.1)**	**(39.0)**	**(4.1)**

Net cash outflow from investing activities amounted to £4.1 million in the three months ended December 31, 2017, and comprised cash used for the purchase of property, plant, and equipment, cash used for the purchase of intangibles, and payment of deferred consideration.

Net cash outflow from investing activities amounted to £39.0 million in the three months ended December 31, 2016, and comprised £35.2 million of cash used (net of cash acquired) in the acquisitions of Arthur McKay and Catering Academy, as well as cash used for the purchase of property, plant, and equipment.

Net cash outflow from investing activities amounted to £61.1 million in fiscal year 2017/16, and comprised £35.3 million of cash used (net of cash acquired) in the acquisitions of Arthur McKay and Catering Academy, £10.6 million of cash used for the strategic investment in Getronics, £4.9 million of cash used to make a loan to Getronics, as well as cash used for the purchase of property, plant, and equipment (and cash received from equipment sales), purchases of intangibles and payments of deferred consideration.

Net cash outflow from investing activities amounted to £9.6 million in fiscal year 2016/15, which comprised £0.8 million of cash used in the bolt-on acquisition in the Catering division mentioned above, as well as cash used for the purchase of property, plant, and equipment and purchases of intangibles.

Net cash outflow from investing activities amounted to £19.3 million for the fiscal year 2015/14, comprising £3.8 million of cash used for minor acquisitions, £7.0 million of cash used for payment of deferred share options, as well as cash used for the purchase of property, plant, and equipment (and cash received from equipment sales), purchases of intangibles and payments of deferred consideration.

Net cash inflow (outflow) from financing activities

The following table sets out the principal components of Servest UK's net cashflow from financing activities for the periods indicated:

	For the fiscal year ended September 30,			For the three months ended December 31,	
	2015	2016	2017	2016	2017
			£ in millions		
				(unaudited)	
Proceeds from loans and borrowings	—	—	201.3	50.7	—
Increase in long term borrowings	10.0	—	—	—	—
Finance costs	(0.3)	(0.1)	(10.4)	(3.7)	—
Repurchase of non-controlling interest shares in subsidiary	—	(0.1)	(0.1)	—	—
Cash flows from non-controlling interest	—	0.1	0.1	—	—
Capital element of finance leases repaid	0	(2.6)	(5.8)	(0.5)	(0.6)
Long term liabilities repaid	(2.0)	—	(122.0)	—	—
Net cash (outflow)/inflow from financing activities	**7.7**	**(2.7)**	**63.1**	**46.5**	**(0.6)**

Net cash outflow from financing activities amounted to £0.6 million in the three months ended December 31, 2017, consisting of repayments of finance leases.

Net cash inflow from financing activities amounted to £46.5 million in the three months ended December 31, 2016, which mainly comprised £50.7 million in proceeds from loans and borrowings used primarily to fund the acquisition of Arthur McKay and Catering Academy as well as cash used for finance costs and cash used for repayments of finance leases.

Net cash inflow from financing activities amounted to £63.1 million in fiscal year 2017/16, which mainly comprised £201.3 million in proceeds from loans and borrowings and the use of £122.0 million thereof towards refinancing all existing bank financing, as well as cash used for finance costs and repayments of capital leases. Net cash outflow from financing activities amounted to £2.7 million in fiscal year 2016/15, which mainly comprised cash used for finance costs and repayments of finance leases.

Net cash inflow from financing activities amounted to £7.7 million in fiscal year 2015/14, which mainly comprised £10.0 million in proceeds from loans and borrowings, as well as cash used for finance costs and repayment of finance leases and cash used for repayments of long-term liabilities.

Off-Balance Sheet Arrangements

As of December 31, 2017, Servest UK's off-balance sheet arrangements relate solely to the collateral and subsidiary guarantees securing its bank financings, and performance bonds and completion guarantees entered into in the ordinary course of its business.

Contractual obligations

The following table sets forth the aggregate maturities (excluding interest charges on our outstanding indebtedness) of Servest UK's contractual obligations as of September 30, 2017:

	Payments due by period				
Contractual Obligation	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Loans and borrowings	25.8	30.0	1.1	105.0	161.9
Finance leases	0.1	0.2	—	—	0.3
Operating leases obligation	2.2	—	4.8	1.3	8.3
Total	28.1	30.2	5.9	106.3	170.5

Qualitative and Quantitative Disclosure of Market Risk

Servest UK is exposed to various financial risks through its operations, primarily credit risk and availability of capital to fund future growth. Servest UK has established a risk management program to protect it against the potential adverse effects of these risks.

As a consequence of Servest UK's acquisition of Aktrion Holdings Limited, foreign exchange risk will arise when individual group entities enter into transactions denominated in a currency other than their own or the group's functional currency. The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.

Critical Accounting Policies and Estimates

The preparation of financial information by Servest UK, including the Servest UK Audited Consolidated Financial Statements and Servest UK Unaudited Interim Condensed Consolidated Financial Statements, requires it to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Servest UK has entered into various lease agreements for certain properties, motor vehicles and equipment. Effective October 1, 2017, Servest UK has early adopted IFRS 16 using a modified retrospective approach. Servest UK determine the initial classification and measurement of their right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. IFRS 16 requires significant judgments, including estimation of the rate implicit in the lease, incremental borrowing rates and reasonably assured lease terms. The lease term includes any renewal options and termination options that they are reasonably assured to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease for finance leases and the its incremental borrowing rate for operating leases.

Standards interpretations and amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods as identified below and Servest UK has decided not to adopt early:

- IFRS 9 "Financial Instruments" effective for annual periods beginning on or after January 1, 2018, introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. It also introduced a single "expected credit loss" impairment model for the measurement of financial assets and a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, the Company needs to account for expected credit losses and changes in those expected credit losses. Management have not yet completed their assessment of the impact of this standard.

- IFRIC 23 "Uncertainty over Income Tax Treatments" effective for annual periods beginning on or after January 1, 2019, clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. This amendment will not significantly affect the Company as it is only a clarification on a previously issued standard.

Servest Limited
Interim condensed consolidated financial statements
For the three month periods ended 31 December 2017 and 2016

Servest Limited

Interim Condensed Consolidated Statement of Profit or Loss

for the three month periods ended 31 December 2017 and 2016

	Note	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
		£m	£m	£m
Revenue	3	115.9	114.2	456.8
Cost of sales		(97.7)	(99.1)	(373.9)
Gross profit		**18.2**	**15.1**	**82.9**
Administrative expenses		(17.2)	(19.7)	(79.8)
Operating profit/(loss)	4	**1.0**	**(4.6)**	**3.1**
Share of net loss in associate		(4.2)	—	(2.6)
Finance income		0.1	—	0.1
Finance costs	6	(4.7)	(10.5)	(26.9)
Loss before taxation		**(7.8)**	**(15.1)**	**(26.3)**
Analysed as:				
Underlying profit before tax		(7.2)	0.4	0.7
Non-underlying items	5	(0.6)	(15.5)	(27.0)
Taxation	7	0.2	0.6	2.2
Loss for the period		**(7.6)**	**(14.5)**	**(24.1)**
Attributable to:				
Owners of the parent		(7.0)	(11.0)	(19.8)
Non-controlling interests		(0.6)	(3.5)	(4.3)
		(7.6)	(14.5)	(24.1)

Reconciliation of operating profit to earnings before interest, tax, depreciation and amortisation and non-underlying costs (Adjusted EBITDA)

	Note	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
		£m	£m	£m
Operating profit/(loss)		1.0	(4.6)	3.1
Amortisation	4	1.4	2.4	10.0
Depreciation	4	2.9	2.2	9.7
Non-underlying administrative costs (excluding amortisation)	5	0.3	6.1	7.2
Adjusted EBITDA		**5.6**	**6.1**	**30.0**

In addition to measuring financial performance based on profit, the Directors have also chosen to disclose adjusted EBITDA. This is because, in the Director's view, adjusted EBITDA reflects the underlying operating cash generation, by eliminating depreciation, amortisation, interest, tax and non-underlying costs. The Directors consider adjusted EBITDA to be a useful measure of the Group's operating performance. Since this is a non-IFRS measure, it may not be directly comparable to the adjusted EBITDA of other companies, as they may define it differently.

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Interim Condensed Consolidated Statement of Other Comprehensive Income

for the three month periods ended 31 December 2017 and 2016

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Loss for the financial period	(7.6)	(14.5)	(24.1)
Other comprehensive (loss)/gain:			
Items not reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefit plans	—	—	0.1
Defined benefit pension plan surplus not recognised	—	—	(0.1)
Total other comprehensive loss for the period, net of tax	—	—	—
Total comprehensive expenditure for the period	**(7.6)**	**(14.5)**	**(24.1)**
Total comprehensive expenditure attributable to:			
Owners of the parent	(7.0)	(11.0)	(19.8)
Non-controlling interests	(0.6)	(3.5)	(4.3)
	(7.6)	**(14.5)**	**(24.1)**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Interim Condensed Consolidated Statement of Financial Position

as at 31 December 2017 and 2016

	Note	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
		£m	£m	£m
Assets				
Non-current assets				
Other intangible assets	10	24.0	32.0	25.3
Goodwill	11	79.5	79.2	79.5
Property, plant and equipment	12	30.9	27.2	25.2
Investments		3.9	—	8.0
Long term receivables		5.1	—	5.0
Total non-current assets		**143.4**	**138.4**	**143.0**
Current assets				
Inventories		7.0	8.4	10.7
Trade receivables		68.3	64.2	60.8
Other receivables		33.7	21.9	22.6
Income tax repayable		1.6	—	1.8
Cash and cash equivalents		1.7	1.8	8.8
Total current assets		**112.3**	**96.3**	**104.7**
Total assets		**255.7**	**234.7**	**247.7**
Liabilities				
Non-current liabilities				
Loans and borrowings		132.1	117.4	129.6
Trade and other payables		—	7.0	4.9
Leases		5.4	3.4	0.1
Deferred tax		3.6	5.8	4.0
Total non-current liabilities		**141.1**	**133.6**	**138.6**
Current liabilities				
Loans and borrowings		38.4	2.2	25.8
Trade and other payables		80.5	82.6	79.6
Income tax payable		—	0.3	—
Leases		0.2	2.8	0.2
Total current liabilities		**119.1**	**87.9**	**105.6**
Total liabilities		**260.2**	**221.5**	**244.2**
Total assets and liabilities		**(4.5)**	**13.2**	**3.5**
Equity				
Share capital	8	16.4	16.4	16.4
Retained earnings		(21.9)	(7.4)	(14.5)
Equity reserve		—	0.5	—
Equity attributable to owners of the parent		**(5.5)**	**9.5**	**1.9**
Non-controlling interest		1.0	3.7	1.6
Total equity		**(4.5)**	**13.2**	**3.5**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited
Interim Condensed Consolidated Statement of Changes in Equity
for the three month periods ended 31 December 2017 and 2016

	Share capital	Retained earnings	Equity reserve	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m
For the three month period ended 31 December 2017 *(unaudited)*						
Balance at 1 October 2017 as previously stated	16.4	(14.5)	—	1.9	1.6	3.5
Impact of change in accounting policy (note 2)	—	(0.4)	—	(0.4)	—	(0.4)
Adjusted balance at 1 October 2017	**16.4**	**(14.9)**	**—**	**1.5**	**1.6**	**3.1**
Total comprehensive loss for the period	—	(7.0)	—	(7.0)	(0.6)	(7.6)
Total comprehensive expenditure	**—**	**(7.0)**	**—**	**(7.0)**	**(0.6)**	**(7.6)**
Balance at 31 December 2017	**16.4**	**(21.9)**	**—**	**(5.5)**	**1.0**	**(4.5)**
	£m	£m	£m	£m	£m	£m
For the three month period ended 31 December 2016 *(unaudited)*						
Balance at 1 October 2016	**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Total comprehensive loss for the period	—	(11.0)	—	(11.0)	(3.5)	(14.5)
Total comprehensive expenditure	**—**	**(11.0)**	**—**	**(11.0)**	**(3.5)**	**(14.5)**
Balance at 31 December 2016	**16.4**	**(7.4)**	**0.5**	**9.5**	**3.7**	**13.2**
	£m	£m	£m	£m	£m	£m
For the year ended 30 September 2017						
Balance at 1 October 2016	**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Total comprehensive loss for the year	—	(19.8)	—	(19.8)	(4.3)	(24.1)
Equity reserve movement	—	0.5	(0.5)	—	—	—
Total comprehensive expenditure	**—**	**(19.3)**	**(0.5)**	**(19.8)**	**(4.3)**	**(24.1)**
Transactions with owners						
Other movements in NCI	—	1.3	—	1.3	(1.3)	—
Disposals of existing NCI	—	(0.1)	—	(0.1)	—	(0.1)
Balance at 30 September 2017	**16.4**	**(14.5)**	**—**	**1.9**	**1.6**	**3.5**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Interim Condensed Consolidated Statement of Cash Flows

for the three month periods ended 31 December 2017 and 2016

	Note	Three months ended 31-Dec 2017 (unaudited)	Three months ended 31-Dec 2016 (unaudited)	Year ended 30-Sep 2017
		£m	£m	£m
Cash flows from operating activities				
Cash receipts from customers		108.3	80.4	428.1
Cash paid to suppliers and employees		(118.2)	(87.1)	(418.0)
Cash (used in)/generated from operations		(9.9)	(6.7)	10.1
Interest received		—	—	0.1
Interest paid		(4.3)	(3.5)	(13.4)
Income taxes paid (received)		—	0.2	(1.6)
Net cash outflow from operating activities		**(14.2)**	**(10.0)**	**(4.8)**
Cash flows from investing activities				
Purchase of property, plant, equipment		(2.6)	(3.8)	(10.3)
Purchase of intangibles		(0.1)	—	(0.6)
Proceeds from the sale of equipment		—	—	0.8
Payment of deferred consideration	13	(1.4)	—	(0.2)
Equity investment in associate		—	—	(10.6)
Loan to associate		—	—	(4.9)
Acquisition of trade and assets/subsidiaries, net of cash acquired		—	(35.2)	(35.3)
Net cash outflow from investing activities		**(4.1)**	**(39.0)**	**(61.1)**
Cash flows from financing activities				
Proceeds from loans and borrowings		—	50.7	201.3
Finance costs		—	(3.7)	(10.4)
Repurchase of non-controlling interest shares in subsidiary		—	—	(0.1)
Cash flows from non-controlling interest		—	—	0.1
Capital element of leases repaid		(0.6)	(0.5)	(5.8)
Long term liabilities repaid		—	—	(122.0)
Net cash (outflow)/inflow from financing activities		**(0.6)**	**46.5**	**63.1**
Net decrease in cash and cash equivalents		(18.9)	(2.5)	(2.8)
Net cash and cash equivalents at period start		(0.7)	2.1	2.1
Net cash and cash equivalents at period end	9	**(19.6)**	**(0.4)**	**(0.7)**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Notes to the Interim Condensed Consolidated Financial Statements

for the three month periods ended 31 December 2017 and 2016

1. General information

Servest Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Servest House, Heath Farm Business Centre, Tut Hill, Fornham All Saints, Bury St. Edmunds, Suffolk, IP28 6LG. The registered number of the Company is 03786009. The Company is the holding company of a number of subsidiaries including Servest Group Limited whose activities consist principally of facilities management services.

These consolidated interim financial statements for both the three months ended 31 December 2017 and the three months ended 31 December 2016 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017 and 30 September 2016.

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

2. Accounting policies

The annual financial statements of Servest Limited are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial information included in this interim financial report has been prepared in accordance with International Accounting Standard 34 *'Interim Financial Reporting'* as adopted by the European Union. This interim financial report has been prepared under the historical cost convention, except for the following items:

- Contingent consideration
- Net defined benefit pension scheme asset
- Forward contract liabilities

The accounting policies and critical accounting judgements and estimates applied are consistent with those set out in the Servest Limited Annual Report and Accounts dated 30 September 2017, and these accounting policies and critical accounting judgements and estimates are expected to apply for the year ending 30 September 2018 with the exception of the new and amended standards adopted and critical accounting estimates and judgements considered below. The Group hold financial instruments which include financial assets (trade and other receivables excluding prepayments and cash and cash equivalents) and financial liabilities (borrowings and trade and other payables excluding non-financial liabilities).

New and amended standards adopted by the Group

IFRS 15 was issued in May 2014 and has been early adopted by the Group from 1 October 2017 using the cumulative effect method. IFRS 15 introduces a 5-step approach to revenue recognition. The Group has concluded that there are no material changes to revenue recognition as a result of adopting this new standard. As a result of this early adoption, there has been a balance sheet reclassification between Inventories and Trade and other receivables relating to work in progress of £4.5m as at 31 December 2017 to reflect that control is transferred to the customer continuously over time.

IFRS 16 was issued in January 2016 and has been early adopted by the Group from 1 October 2017 using the modified retrospective method. This has resulted in the addition of £5.4m right-of-use assets included in property, plant and equipment, £5.8m of lease liability and a £0.4m opening retained earnings adjustment for the three-month period ended 31 December 2017. This has also meant that for the three-month period to 31 December 2017, there are no operating lease rentals being recognised through the Consolidated Statement of Profit or Loss. The adoption of this new standard has increased interest expense by £0.1m, increased depreciation by £0.4m and reduced operating expenses by £0.5m in the period to 31 December 2017.

Revenue

The Group has early adopted IFRS 15 from 1 October 2017 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11 consistent with the policies set out in the Servest Limited Annual Report and Accounts dated 30 September 2017.

Facilities management, cleaning, catering, security guarding, compliance and pest

The revenue for the above services is recognised at a point in time when the service has been delivered to the customer. There is limited judgement needed in identifying the point control passes: once the service has been delivered, the Group will have a present right to payment.

For security guarding, compliance and pest, there is a fixed hourly unit price for each service provided therefore there is no judgement in allocating the contract price to each service in such contracts. Where a customer has more than one service, the Group is able to determine the split of the total contract price between each service line by reference to each service line's standalone selling prices (all service lines are capable of being, and are, sold separately).

Cleaning contracts are on an output basis whereby the number of hours necessary to get to the required standard may vary from month to month. However, the amount charged is fixed on an hourly basis so there is no judgement required in allocating the price to the service.

For catering, there are either fixed price contracts or cost-plus contracts. This means there is no judgement required as both types have a defined price allocated to the service provided.

Security systems

Revenue from the installation of Systems is recognised when control of the goods has transferred to the customer. This is generally on completion of the installation. There is limited judgement needed in identifying the point control passes: once installation of the products in the agreed location has occurred, the Group no longer has physical possession, usually with a present right to payment and retains none of the significant risks and rewards of the goods in question.

There is a fixed unit price for each system sold therefore there is no judgement in allocating the contract price to each system ordered in such contracts.

Building services

Revenue from long term contracts is recognised over time. This is because work undertaken has no alternative use for the Group and the contracts would require payment to be received for the labour and materials spent by the Group on progressing the contracts in the event of the customer cancelling the contract prior to the completion for any reason other than the Group's failure to perform its obligations under the contract. For partially complete construction or installation contracts, the Group recognises revenue based on stage of completion of the project which is estimated by reference to the proportion of works which have been completed relative to the total amount of work due to be completed in line with the agreed contract conditions (i.e. an input-based method). The estimation of proportion of completion is undertaken by experts (Chartered Surveyors).

For most building service contracts, there is a single performance obligation, being the construction or installation in a particular building. Where there are contracts with multiple performance obligations, the allocation of the transaction price is based on the standalone price for each individual service provided as they are all capable, and are, sold separately. Therefore, there is no judgement required to allocate the price to individual performance obligations.

Leases

The Group has early adopted IFRS 16 from 1 October 2017 using the modified retrospective approach and therefore the comparative information has not been restated and continue to be reported under IAS17 and IFRIC 4 consistent with the policies set out in Servest Limited Annual Report and Accounts dated 30 September 2017.

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

- The contract involves the use of an identified asset

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use' and

- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making right that are most relevant to changing how and for what purpose the asset is used.

The policy is applied to contracts entered into, or changed, on or after 1 October 2017.

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

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability it remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Going concern

For the three-month period ended 31 December 2017, the Group made a loss of £7.6m, cash outflow from operating activities of £14.2 million, and has net current liabilities of £6.8m and net liabilities of £4.5m. The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the interim financial statements:

- Subsequent to the period ended 31 December 2017, a share purchase agreement has been entered into with the shareholders to sell the entire share capital of the Company to Atalian Global Services UK 2 Limited. As a result of this transaction, the Group will have access to sufficient working capital and cash resources to enable it to meet its objectives and financial obligations in the future.

- The Group has successfully expanded its revenue base in Q2 FY18 by winning major new contracts which will contribute additional net cash inflows throughout the remainder of FY18.

On the basis of their assessment of the Group's financial position, forecasts and future plans, the Directors have reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Critical accounting estimates and judgements

The Group have entered into various lease agreements for certain properties, motor vehicles and equipment. With effect from 1 October 2017 the Group has early adopted IFRS 16 using a modified retrospective approach. The Group determines the initial classification and measurement of their right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. IFRS 16 requires significant judgments, including estimation of the rate implicit in the lease, incremental borrowing rates and reasonably assured lease terms. The lease term includes any renewal options and termination options that they are reasonably assured to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease for finance leases and its incremental borrowing rate for operating leases.

Seasonality

The Group’s business is subject to some seasonal fluctuations. In particular, project work in the Building Services division is typically reduced in the winter months and increased in the spring, summer and autumn because of weather conditions. The Catering division also contributes to seasonality to a more limited extent because of a reduction in activity in the education sector during school holiday periods (typically, at year end and during the summer months).

3. Revenue

In the following table, revenue is disaggregated by major service line.

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Building Services	37.8	37.1	150.7
Catering	25.4	24.2	89.9
Cleaning	43.6	45.2	184.8
Compliance	0.4	0.5	1.7
Pest	0.4	0.4	1.8
Security	8.3	6.8	27.9
	115.9	**114.2**	**456.8**

4. Operating profit/(loss)

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Group operating profit/(loss) for the period is stated after the following:			
Staff costs	72.1	63.4	284.3
Amortisation of intangible assets	1.4	2.4	9.5
Amortisation of development expenditure	—	—	0.5
Depreciation of tangible fixed assets:			
—owned by the group	2.5	2.2	9.6
—IFRS 16 right of use assets	0.4	—	—
—held under finance leases	—	—	0.1
Profit on disposals of property, plant and equipment	—	—	(0.1)
Operating lease rentals:			
—plant and machinery	—	0.2	0.8
—other operating leases	—	0.5	1.8
Goodwill and intangible asset impairment charge	—	3.9	3.9
Subcontractor costs	10.7	9.4	37.6
Consumables	25.4	22.3	88.9

5. Non-underlying items

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Acquisition costs	—	2.0	2.0
Redundancy and other costs	0.3	0.2	1.5
Goodwill and intangible asset impairment charge	—	3.9	3.9
Change in fair value of contingent consideration	—	—	(0.2)
Non-underlying administrative costs (excluding amortization)	**0.3**	**6.1**	**7.2**
Amortisation of acquired intangibles	1.3	2.4	9.5
Administrative expenses	**1.6**	**8.5**	**16.7**

Finance costs	(1.0)	7.0	10.3
Total underlying items	0.6	15.5	27.0

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

Contingent consideration movements: in accordance with IFRS 3, movements in the fair value of contingent consideration on acquisitions go through the Group income statement. These are reported separately because performance of the acquired businesses is assessed through the underlying operational results and such a charge/credit movement would distort underlying results.

Impairment of goodwill: the Group carries on its balance sheet significant balances related to acquired goodwill. Goodwill is subject to annual impairment testing, and any impairment charges are reported separately as they distort the in-year trading results and because performance of the acquired businesses is assessed through the underlying operational results.

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

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

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Forward contract expense	(1.0)	7.0	4.9
Amortised debt costs	—	—	5.4
Finance costs	**(1.0)**	**7.0**	**10.3**

Forward contract liability: the Group entered into a one-off transaction relating to refinancing in November 2016. As this is a one-off transaction of financing, it would not be appropriate to include the costs and subsequent fair value adjustments within the underlying results of the Group.

Amortised debt costs: as part of raising finance, certain costs related to the financing are capitalised and spread over the length of the loan. Amounts that are repaid early due to refinancing do not represent the true underlying finance cost due to the acceleration of payment and are therefore presented as non-underlying.

6. Finance costs

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Interest on bank loans and overdrafts	4.7	3.1	15.0
Fair value adjustments to forward contract liability	(1.0)	7.0	4.9
Interest on finance leases, hire purchase contracts and IFRS 16 liabilities	0.1	0.1	0.3
Amortised debt costs	0.9	0.3	6.7
	4.7	**10.5**	**26.9**

7. Taxation

Tax is charged at 19% for the three months ended 31 December 2017 (30 December 2016: 20%, 30 September 2017: 8.4%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the three-month period, except where the benefit relating to a tax loss cannot be carried back to recover current tax of a previous period or where it is not probable future taxable profit will be available against tax losses carried forward.

8. Share capital

	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
	£m	£m	£m
Allotted, called up and fully paid			
13,121,602 Ordinary A shares of £1 each	13.2	13.2	13.2
3,240,137 Ordinary B shares of £1 each	3.2	3.2	3.2
	16.4	**16.4**	**16.4**

9. Cash and cash equivalents

	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
	£m	£m	£m
Cash in hand	0.7	1.0	1.2
Balances with banks	1.0	0.8	7.6
Cash and cash equivalents	**1.7**	**1.8**	**8.8**
Bank overdrafts	(21.3)	(2.2)	(9.5)
Net cash	**(19.6)**	**(0.4)**	**(0.7)**

10. Other intangible assets

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2017 *(unaudited)*						
Cost						
At 1 October 2017	2.2	35.6	7.5	3.3	0.5	49.1
Additions	0.1	—	—	—	—	0.1
At 31 December 2017	**2.3**	**35.6**	**7.5**	**3.3**	**0.5**	**49.2**
Accumulated amortisation						
At 1 October 2017	0.4	18.8	3.8	0.6	0.2	23.8
Charge for the period	—	0.7	0.4	0.2	0.1	1.4
At 31 December 2017	**0.4**	**19.5**	**4.2**	**0.8**	**0.3**	**25.2**
Net book amount						
At 31 December 2017	**1.9**	**16.1**	**3.3**	**2.5**	**0.2**	**24.0**

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2016 *(unaudited)*						
Cost						
At 1 October 2016	1.6	30.6	—	—	0.5	32.7

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
Additions on acquisition	—	5.0	7.5	3.3	—	15.8
At 31 December 2016	**1.6**	**35.6**	**7.5**	**3.3**	**0.5**	**48.5**
Accumulated amortisation						
At 1 October 2016	0.2	13.7	—	—	0.2	14.1
Charge for the period	—	0.8	1.5	0.1	—	2.4
At 31 December 2016	**0.2**	**14.5**	**1.5**	**0.1**	**0.2**	**16.5**
Net book amount						
At 31 December 2016	**1.4**	**21.1**	**6.0**	**3.2**	**0.3**	**32.0**

	Development costs	**Customer base and reputation**	**Order backlog**	**Trade name**	**Regional licenses**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
For the year ended 30 September 2017						
Cost						
At 1 October 2016	1.6	30.6	—	—	0.5	32.7
Additions	0.6	—	—	—	—	0.6
Additions on acquisition	—	5.0	7.5	3.3	—	15.8
Disposals	(0.3)	—	—	—	—	(0.3)
Transfers	0.3	—	—	—	—	0.3
At 30 September 2017	**2.2**	**35.6**	**7.5**	**3.3**	**0.5**	**49.1**
Accumulated amortisation						
At 1 October 2016	0.2	13.7	—	—	0.2	14.1
Charge for the year	0.5	5.1	3.8	0.6	—	10.0
Disposals	(0.3)	—	—	—	—	(0.3)
At 30 September 2017	**0.4**	**18.8**	**3.8**	**0.6**	**0.2**	**23.8**
Net book amount						
At 30 September 2017	**1.8**	**16.8**	**3.7**	**2.7**	**0.3**	**25.3**

11. Goodwill

	Goodwill
	£m
For the three months ended 31 December 2017 *(unaudited)*	
Cost	
At 1 October 2017	79.5
At 31 December 2017	**79.5**

	Goodwill
	£m
For the three months ended 31 December 2016 *(unaudited)*	
Cost	
At 1 October 2016	47.5
Recognised on acquisition of subsidiaries	35.6
Impairment losses	(3.9)
At 31 December 2016	**79.2**

	Goodwill
	£m
For the year ended 30 September 2017	
Cost	
At 1 October 2016	47.5
Recognised on acquisition of subsidiaries	35.9
Impairment losses	(3.9)
At 30 September 2017	**79.5**

Acquisition of Catering Academy Limited

During the year ended 30 September 2017, the Group acquired 100% of the share capital of Catering Academy Limited, Arthur McKay & Co Limited and Pro-Check Environmental Services Northern Limited. The acquisition method of accounting was used for all business combinations.

Details of the fair value of identifiable assets and liabilities for the acquisition of Catering Academy Limited, a contract catering company that operates primarily within the distribution, manufacturing, education and leisure sectors that took place on 24 October 2016, are as follows:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Trade and other receivables	3.9	—	3.9
Property, plant & equipment	0.5	—	0.5
Inventories	0.7	—	0.7
Cash and cash equivalents	1.7	—	1.7
Order book	—	1.9	1.9
Customer relationships	—	0.5	0.5
Deferred tax on other intangibles	—	(0.4)	(0.4)
Trade and other payables	(6.5)	—	(6.5)
Net assets acquired	**0.3**	**2.0**	**2.3**

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

	£m
Cash	13.5
Contingent cash consideration	1.4
Net assets acquired	(2.3)
Goodwill	**12.6**

Acquisition costs of £0.6m were recognised as an expense in non-underlying administrative expenses in the period to 31 December 2016.

The business acquired contributed £8.8m to the Servest Limited group revenue in the period ended 31 December 2016. The effect on the net profit for the year since acquisition date to their first-time consolidation was £0.5m. Had this business combination been effective for the full quarter, the revenue and profit associated with it would have been £9.3m and £0.6m respectively.

Acquisition of Arthur McKay & Co Limited

Details of the fair value of identifiable assets and liabilities for the acquisition of Arthur McKay & Co Limited, a mechanical and electrical engineering company based in Scotland that took place on 18 October 2016, are as follows:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Trade and other receivables	9.5	—	9.5
Property, plant & equipment	4.2	0.4	4.6
Inventories	19.9	—	19.9
Cash and cash equivalents	17.7	—	17.7
Order backlog	—	5.6	5.6
Customer relationships	—	4.5	4.5
Trade name	—	3.3	3.3
Deferred tax on other intangibles	—	(2.3)	(2.3)
Trade and other payables	(46.2)	—	(46.2)
Net assets acquired	**5.1**	**11.5**	**16.6**

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

	£m
Cash	39.6

Net assets acquired	(16.6)
Goodwill	**23.0**

Acquisition costs of £1.0m were recognised as an expense in non-underlying administrative expenses in the period to 31 December 2016.

The business acquired contributed £31.7m to the Servest Limited group revenue in the period ended 31 December 2016. The effect on the net profit for the year since acquisition date to their first-time consolidation was £1.8m. Had this business combination been effective for the full quarter, the revenue and profit associated with it would have been £33.2m and £1.9m respectively.

11. Goodwill

Details of the fair value of identifiable assets and liabilities for the acquisition of Pro-Check Environmental Services Northern Limited that took place on 31 December 2016 are as follows:

Acquisition of Pro-Check Environmental Services Northern Limited	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Trade and other payables	(0.1)	—	(0.1)
Net liabilities acquired	**(0.1)**	**—**	**(0.1)**

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

	£m
Cash	0.2
Net liabilities acquired	0.1
Goodwill	**0.3**

12. Property, plant and equipment

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2017 *(unaudited)*						
Cost						
Balance at 1 October 2017 as previously stated	3.5	1.7	20.3	8.3	10.4	44.2
Impact of change in accounting policy (note 2)	—	2.9	—	2.5	—	5.4
Adjusted balance at 1 October 2017	**3.5**	**4.6**	**20.3**	**10.8**	**10.4**	**49.6**
Additions at cost	—	0.1	2.6	—	0.5	3.2
Disposals	—	—	(0.2)	—	—	(0.2)
At 31 December 2017	**3.5**	**4.7**	**22.7**	**10.8**	**10.9**	**52.6**
Accumulated Depreciation						
Balance at 1 October 2017	0.1	0.8	8.9	3.7	5.5	19.0
Charges for the period	—	0.3	1.2	0.7	0.7	2.9
Disposals	—	—	(0.2)	—	—	(0.2)
At 31 December 2017	**0.1**	**1.1**	**9.9**	**4.4**	**6.2**	**21.7**
Net book amount						
At 31 December 2017	**3.4**	**3.6**	**12.8**	**6.4**	**4.7**	**30.9**

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2016 *(unaudited)*						
Cost						
At 1 October 2016	—	0.9	20.0	7.1	8.9	36.9
Additions at cost	—	0.1	2.8	0.4	0.5	3.8
Additions on acquisition	3.3	0.7	0.6	0.1	—	4.7
At 31 December 2016	**3.3**	**1.7**	**23.4**	**7.6**	**9.4**	**45.4**
Accumulated Depreciation						
At 1 October 2016	—	0.5	8.9	2.5	4.1	16.0
Charges for the period	—	0.1	1.1	0.4	0.6	2.2

At 31 December 2016	**—**	**0.6**	**10.0**	**2.9**	**4.7**	**18.2**
Net book amount						
At 31 December 2016	**3.3**	**1.1**	**13.4**	**4.7**	**4.7**	**27.2**

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the year ended 30 September 2017						
Cost						
At 1 October 2016	—	0.9	20.0	7.1	8.9	36.9
Additions at cost	0.2	0.1	5.4	1.6	3.0	10.3
Additions on acquisition	3.3	0.7	0.6	0.1	—	4.7
Disposals	—	—	(5.7)	(0.5)	(1.2)	(7.4)
Transfers	—	—	—	—	(0.3)	(0.3)
At 30 September 2017	**3.5**	**1.7**	**20.3**	**8.3**	**10.4**	**44.2**
Accumulated Depreciation						
At 1 October 2016	—	0.5	8.9	2.5	4.1	16.0
Charges for the year	0.1	0.3	5.1	1.6	2.6	9.7
Disposals	—	—	(5.1)	(0.4)	(1.2)	(6.7)
At 30 September 2017	**0.1**	**0.8**	**8.9**	**3.7**	**5.5**	**19.0**
Net book amount						
At 30 September 2017	**3.4**	**0.9**	**11.4**	**4.6**	**4.9**	**25.2**

13. Fair value

a) Contingent consideration

The contingent consideration is a financial liability held at fair value. The fair value is determined by the application of level 3 as it is not linked to quoted prices or observable market data. The value of contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The opening contingent consideration at 30 September 2017 was £1.4m, £1.4m has been paid during the period to 31 December 2017. The closing balance is therefore £nil. See note 11 for further detail.

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

b) Derivative financial instruments

The forward contract is a derivative financial liability held at fair value through profit or loss and is included in current trade and other payables (December 2016: Non-current trade and other payables). The fair value is determined by level 2 as it is linked to observable inputs. The value of the forward contract is dependent on the last twelve months EBITDA, net debt of the group and ‘synthetic equity’ of the Group which is defined in the forward contract agreement. The liability can be settled at any time by the Group and the other party has the option to obligate the Group to settle the liability from the second anniversary of award, being November 2018. The amount payable is affected by who chooses for the liability to be settled. Adjustments to the fair value at each period end are recorded in finance costs. The value of the forward contract at 30 December 2016 was £7.0m and the movement through the income statement for the three-month period was £7.0m charge. The value of the forward contract at 30 September 2017 was £4.9m and the movement through the income statement for the 12-month period was £4.9m charge. The value of the forward contract at 31 December 2017 was £3.9m and the movement through the income statement for the three-month period was £1.0m credit.

c) Investments

Within the shareholders agreement for the investment in Bottega Investco S.À R.L entered into in July 2017, 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 Servest Limited 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 2017, no value has been attributed to this derivative based on the carrying value being materially comparable to the period end fair value of the investment of which the value of the derivative would be based.

The Group has no other financial instruments measured as level 1, 2 or 3, included at fair value other than those detailed above.

Carrying Amount versus Fair Value

The following table compares the carrying amounts and fair values of the group’s financial liabilities as at:

	31-Dec-17 (Unaudited)		31-Dec-16 (Unaudited)		30-Sep-17	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities						
Loans and borrowings	170.5	174.5	119.6	125.2	155.4	161.9
Leases..	5.6	5.6	6.2	6.2	0.3	0.3
	176.1	180.1	125.8	131.4	155.7	162.2

For all other items, the Directors believe the fair value of the liabilities is not materially different to the statement of financial position value due to the timings of the repayments at market rates of interest.

14. Financial Instruments

Foreign exchange risk

As a consequence of Servest Limited’s acquisition of Aktrion Holdings Limited foreign exchange risk will arise when individual Group entities enter into transactions denominated in a currency other than their own or the group’s functional currency. The Group’s policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

15. Events after the reporting period

On 6 February 2018, Servest Limited purchased 100% of the share capital in Aktrion Holdings Limited, a trading entity that provides outsourced business support services throughout the UK and mainland Europe to a blue-chip customer base, based in Telford. The Company entered into the sale and purchase agreements to acquire the company on 6 February and control was passed on that date. The cash consideration paid was £1.6m plus contingent cash consideration of £2.5m. The contingent cash consideration is payable based on the post-acquisition gross profit earned by the acquired business in the 12-month period to 31 January 2019. The contingent cash consideration ranges between £nil and £2.5m depending on the level of gross profit achieved in the 12-month period to 31 January 2019.

The primary reason for the above acquisition was to obtain access to new market sectors, acquire an international operation with a customer base that fits nicely with other group companies and enhance the Group’s ability to provide comprehensive facility management contracts.

Due to the timing of the acquisition, the exercise to determine the fair value of net assets and contingent liabilities acquired has not yet been completed. Therefore, it is not possible to disclose information in regard to acquired receivables and the amounts recognised as of the acquisition date for each major class of asset acquired and liabilities assumed.

The Company entered into the sale and purchase agreement to acquire Thermotech Solutions Limited on 16 March. The completion of this transaction is not due to take place until after this report has been signed and control will not pass until completion. Thermotech Solutions Limited is a trading entity that specialises in fire sprinkler design, installation, service and maintenance throughout the UK, based in Stockport.

The Company entered into the sale and purchase agreement to acquire Unique Catering and Management Services Limited on 16 March. The completion of this transaction is not due to take place until after this report has been signed and control will not pass until completion. Unique Catering and Management Services Limited is a trading entity that provides quality catering facilities and related management services to both industry and commerce, based in Warwick.

Subsequent to the period ended 31 December 2017, a share purchase agreement has been entered into with the shareholders to sell the entire share capital of the Company together with the issued shares in Servest Group Holdings Limited not held by Servest Limited to Atalian Global Services UK 2 Limited (Atalian). The completion of this transaction is not due to take place until after this report has been signed. On the Completion Date, Atalian will (directly or indirectly) pay €593.0 million equivalent to fund the purchase price of the Acquisition and to repay all amounts outstanding under Servest Limited's external facilities, other than the Lloyds Card Facilities. Control of the Company will pass to the new owners on the completion date. Therefore, the controlling party remains as disclosed in the annual accounts for the year ended 30 September 2017.

16. Related parties

There are no significant updates to related party transactions to what was previously disclosed in the annual accounts for the year ended 30 September 2017.

Servest Limited

Independent Review Report to Servest Limited

Introduction

We have been engaged by Servest Limited (the "Company") to review the condensed set of financial statements in the Interim consolidated financial statements for the three month periods ended 31 December 2017 and 2016 which comprise the Condensed Consolidated Statement of Profit or Loss, the Condensed Consolidated Statement of Other Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated statement of Cash Flows and the related notes.

Directors' responsibilities

The Interim consolidated financial statements are the responsibility of and have been approved by the directors. The directors are responsible for preparing the Interim consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim consolidated financial statements based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim consolidated financial statements for the three month periods ended 31 December 2017 and 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union.

/s/ BDO LLP

BDO LLP
Chartered Accountants
London
22 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Servest Limited
Independent Auditor’s Report to the Members of Servest Limited

Opinion

We have audited the financial statements of Servest Limited (“the Parent Company”) and its subsidiaries (“the Group”) for the year ended 30 September 2017 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2017 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

Auditor's responsibilities for the audit of the financial statements

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.

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

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

/s/ Scott Knight
Scott Knight (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

Date 31 January 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Servest Limited

Consolidated Statement of Profit or Loss

for the year ended 30 September 2017

	Note	Business performance	Non-underlying items[1]	Total 2017	Business performance	Non-underlying items[1]	Total 2016
		£m	£m	£m	£m	£m	£m
Revenue	3	456.8	—	456.8	284.0	—	284.0
Cost of sales		(373.9)	—	(373.9)	(233.8)	—	(233.8)
Gross profit		**82.9**	**—**	**82.9**	**50.2**	**—**	**50.2**
Administrative expenses		(63.1)	(16.7)	(79.8)	(42.1)	(0.8)	(42.9)
Operating profit/(loss)	4	**19.8**	**(16.7)**	**3.1**	**8.1**	**(0.8)**	**7.3**
Share of net loss in associate		(2.6)	—	(2.6)	—	—	—
Finance income	10	0.1	—	0.1	0.1	—	0.1
Finance costs	9	(16.6)	(10.3)	(26.9)	(8.7)	—	(8.7)
Profit/(loss) before taxation		**0.7**	**(27.0)**	**(26.3)**	**(0.5)**	**(0.8)**	**(1.3)**
Taxation	11			2.2			0.6
Loss for the year				**(24.1)**			**(0.7)**
Attributable to:							
Owners of the parent				(19.8)			(0.5)
Non-controlling interests				(4.3)			(0.2)
				(24.1)			(0.7)

1 Non-underlying items are explained in note 8

Reconciliation of operating profit to earnings before interest, tax, depreciation and amortisation and non-underlying costs (Adjusted EBITDA)

	Note	2017	2016
		£m	£m
Operating profit		3.1	7.3
Amortisation	4	10.0	3.2
Depreciation	4	9.7	6.9
Non-underlying costs (excluding amortisation)	8	7.2	0.8
Adjusted EBITDA		**30.0**	**18.2**

In addition to measuring financial performance based on profit, the Directors have also chosen to disclose adjusted EBITDA. This is because, in the Director's view, adjusted EBITDA reflects the underlying operating cash generation, by eliminating depreciation, amortisation, interest, tax and non-underlying costs. The Directors consider adjusted EBITDA to be a useful measure of the Group's operating performance.

Since this is a non-IFRS measure, it may not be directly comparable to the adjusted EBITDA of other companies, as they may define it differently.

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Consolidated Statement of Other Comprehensive Income

for the year ended 30 September 2017

	Note	2017	2016
		£m	£m
Loss for the financial year		(24.1)	(0.7)
Other comprehensive (loss)/gain:			
Actuarial gain/(loss) on defined benefit plans	27	0.1	(0.3)
Defined benefit pension plan surplus not recognised	27	(0.1)	(0.4)
Tax relating to components of other comprehensive gain		—	0.1
Other comprehensive loss for the year, net of tax		—	(0.6)
Total comprehensive expenditure for the year		**(24.1)**	**(1.3)**
Total comprehensive expenditure attributable to:			
Owners of the parent		(19.8)	(0.9)
Non-controlling interests		(4.3)	(0.4)
		(24.1)	**(1.3)**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Consolidated Statement of Financial Position

as at 30 September 2017

	Note	2017	2016
		£m	£m
Assets			
Non-current assets			
Other intangible assets	12	25.3	18.6
Goodwill	13	79.5	47.5
Property, plant and equipment	14	25.2	20.9
Investments	15	8.0	—
Long term receivables	19	5.0	—
Total non-current assets		**143.0**	**87.0**
Current assets			
Inventories	16	10.7	5.1
Trade receivables	17	60.8	31.1
Other receivables	18	22.6	22.1
Income tax repayable		1.8	0.2
Cash and cash equivalents	25	8.8	2.1
Total current assets		**104.7**	**60.6**
Total assets		**247.7**	**147.6**
Liabilities			
Non-current liabilities			
Loans and borrowings	21	129.6	70.7
Trade and other payables	20	4.9	—
Finance leases	22	0.1	3.4
Deferred tax	23	4.0	3.9
Total non-current liabilities		**138.6**	**78.0**
Current liabilities			
Loans and borrowings	21	25.8	—
Trade and other payables	20	79.6	39.3
Finance leases	22	0.2	2.6
Total current liabilities		**105.6**	**41.9**
Total liabilities		**244.2**	**119.9**
Total assets and liabilities		**3.5**	**27.7**
Equity			
Share capital	24	16.4	16.4
Retained earnings		(14.5)	3.6
Equity reserve		—	0.5
Equity attributable to owners of the parent		**1.9**	**20.5**
Non-controlling interest		1.6	7.2
Total equity		**3.5**	**27.7**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Company Statement of Financial Position

as at 30 September 2017

	Note	2017	2016
		£m	£m
Assets			
Non-current assets			
Investments	15	22.6	12.0
Long term receivables	19	5.0	—
Total non-current assets		**27.6**	**12.0**
Current assets			
Trade receivables	17	0.1	—
Other receivables	18	0.3	—
Cash and cash equivalents	25	—	0.1
Total current assets		**0.4**	**0.1**
Total assets		**28.0**	**12.1**
Liabilities			
Non-current liabilities			
Loans and borrowings	21	0.1	0.4
Total non-current liabilities		**0.1**	**0.4**
Current liabilities			
Loans and borrowings	21	16.3	—
Trade and other payables	20	0.2	—
Total current liabilities		**16.5**	**—**
Total liabilities		**16.6**	**0.4**
Total assets and liabilities		**11.4**	**11.7**
Equity			
Share capital	24	16.4	16.4
Retained earnings		(5.0)	(4.7)
Shareholders' funds		**11.4**	**11.7**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Consolidated Statement of Changes in Equity
for the year ended 30 September 2017

	Note	Share capital	Retained earnings	Equity reserve	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m
Balance at 1 October 2015..		**16.4**	**4.8**	**—**	**21.2**	**7.8**	**29.0**
Loss for the year		—	(0.5)	—	(0.5)	(0.2)	(0.7)
Actuarial (loss)/gain on defined benefit plans	27	—	(0.2)	—	(0.2)	(0.1)	(0.3)
Defined benefit pension plan surplus not recognised.......	27	—	(0.3)	—	(0.3)	(0.1)	(0.4)
Tax relating to components of other comprehensive loss/(gain).........................		—	0.1	—	0.1	—	0.1
Total comprehensive expenditure		**—**	**(0.9)**	**—**	**(0.9)**	**(0.4)**	**(1.3)**
Transactions with owners							
Other movements in NCI		—	(0.3)	0.5	0.2	(0.2)	—
Additions to existing NCI		—	0.1	—	0.1	0.1	0.2
Disposals of existing NCI		—	(0.1)	—	(0.1)	(0.1)	(0.2)
Balance at 30 September 2016		**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Loss for the year		—	(19.8)	—	(19.8)	(4.3)	(24.1)
Equity reserve movement		—	0.5	(0.5)	—	—	
Actuarial (loss)/gain on defined benefit plans	27	—	0.1	—	0.1	—	0.1
Defined benefit pension plan surplus not recognised.......	27	—	(0.1)	—	(0.1)	—	(0.1)
		—					
Total comprehensive expenditure		**—**	**(19.3)**	**(0.5)**	**(19.8)**	**(4.3)**	**(24.1)**
Transactions with owners							
Other movements in NCI		—	1.3	—	1.3	(1.3)	—
Disposals of existing NCI		—	(0.1)	—	(0.1)	—	(0.1)
Balance at 30 September 2017		**16.4**	**(14.5)**	**—**	**1.9**	**1.6**	**3.5**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Company Statement of Changes in Equity

for the year ended 30 September 2017

	Note	Share capital	Retained earnings	Total equity
		£m	£m	£m
Balance at 1 October 2015		**16.4**	**(4.8)**	**11.6**
Profit for the year		—	0.1	0.1
Total comprehensive income for the year		**—**	**0.1**	**0.1**
Balance at 30 September 2016		**16.4**	**(4.7)**	**11.7**
Loss for the year		—	(0.3)	(0.3)
Total comprehensive expenditure for the year		**—**	**(0.3)**	**(0.3)**
Balance at 30 September 2017		**16.4**	**(5.0)**	**11.4**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Consolidated Statement of Cash Flows

For the year ended 30 September 2017

	Note	2017	2016
		£m	£m
Cash flows from operating activities			
Cash receipts from customers		428.1	278.8
Cash paid to suppliers and employees		(418.0)	(271.5)
Cash generated from operations		10.1	7.3
Interest received		0.1	—
Interest paid		(13.4)	(8.4)
Income taxes paid		(1.6)	(0.5)
Net cash outflow from operating activities		**(4.8)**	**(1.6)**
Cash flows from investing activities			
Purchase of property, plant, equipment		(10.3)	(8.3)
Purchase of intangibles		(0.6)	(0.5)
Proceeds from the sale of equipment		0.8	—
Payment of deferred consideration		(0.2)	—
Equity investment in associate		(10.6)	—
Loan to associate		(4.9)	—
Acquisition of trade and assets/subsidiaries, net of cash acquired		(35.3)	(0.8)
Net cash outflow from investing activities		**(61.1)**	**(9.6)**
Cash flows from financing activities			
Proceeds from loans and borrowings		201.3	—
Finance costs		(10.4)	(0.1)
Repurchase of non-controlling interest shares in subsidiary		(0.1)	(0.1)
Cash flows from non-controlling interest		0.1	0.1
Capital element of finance leases repaid		(5.8)	(2.6)
Long term liabilities repaid		(122.0)	—
Net cash inflow from financing activities		**63.1**	**(2.7)**
Net decrease in cash and cash equivalents		(2.8)	(13.9)
Cash and cash equivalents at 1 January		2.1	16.0
Net cash and cash equivalents at period end	25	**(0.7)**	**2.1**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited

Notes to the Financial Statements

For the year ended 30 September 2017

1. Accounting policies

Basis of preparation

Servest Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Servest House, Heath Farm Business Centre, Tut Hill, Fornham All Saints, Bury St. Edmunds, Suffolk, IP28 6LG. The registered number of the Company is 03786009. The consolidated financial statements of Servest Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006. The consolidated financial statements have been prepared on the going concern basis under the historical cost convention except for the following items:

- Contingent consideration
- Net defined benefit pension scheme asset
- Forward contract liabilities

The consolidated financial statements include the results of all subsidiaries of Servest Limited as listed on page 34 and 35.

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.

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

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

Items within non-underlying include intangible amortisation, asset impairments, contingent consideration movements, acquisition expenses and specific non-recurring items in the income statement 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 kept constantly under review by the Board of Directors.

Standards and interpretations adopted by the Group in the year ended 30 September 2017

There were no new standards, interpretations and amendments effective for the first time for periods beginning on or after 1 October 2016 that had a significant effect on the Group's financial statements.

Standards and interpretations not yet effective

The following standards, amendments and interpretations were in issue, but were not yet effective at the balance sheet date. These standards have not been early adopted by the Group.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

- IFRS 16 Leasing

Amendments to IFRS 9 are due to take effect for accounting periods commencing from 1 January 2018. The Directors do not anticipate that the adoption of IFRS 9, where relevant in future periods, will have a material impact on the Company's financial statements.

IFRS 15 is due to take effect for accounting periods commencing from 1 January 2018. This new revenue standard may lead to new treatments resulting from considerations of transfer of control, variable consideration, the time value of money, and allocation of transaction prices based on relative stand-alone selling prices. The Directors are currently assessing the impact of IFRS 15 and do not anticipate that it will have a material impact on either revenues or profit.

IFRS 16 is due to take effect for accounting periods commencing from 1 January 2019 and makes substantial changes to how lease arrangements are accounted for and will specifically result in many of the Group's lease arrangements coming on to the statement of financial position. The Directors are currently assessing the impact of IFRS 16 which is likely to have a significant impact upon both non-current assets and liabilities.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date that these financial statements are signed. For these reasons, they continue to adopt the going concern basis in preparing the Group's financial statements.

Basis of consolidation

(i) *Subsidiaries*

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

(ii) *Goodwill*

Goodwill on acquisitions comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages the fair value of the existing equity interest in the acquiree. 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.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Profit or Loss on the acquisition date.

(iii) *Business combinations*

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

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

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

If the initial accounting is incomplete at the reporting date, provision 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.

(iv) *Transactions eliminated on consolidation*

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

Property, plant and equipment

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

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

• Freehold land and buildings	50 years
• Short-term leasehold property	Over the period of the lease
• Plant and machinery	2–5 years
• Motor vehicles	4–5 years
• 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.

Intangible assets

Intangible assets other than goodwill 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:

• Development costs	10 years
• Customer base and reputation	10 years
• Order backlog	1–3 years
• Trade name	5 years
• Regional licences	20 years

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

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.

For goodwill, the recoverable amount is estimated 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.

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss.

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

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument.

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.

Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Cash and cash equivalents

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

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

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.

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 other 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.

Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability of component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

This conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instruments as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible obligation, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instrument are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Inventories

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

Investments

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

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjust to the prevailing market rate.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the costs of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

Revenue

Revenue is recognised by the Group, exclusive of value added tax and trade discounts.

(i) *Facilities Management, Cleaning, Catering, Energy and Pest*

Revenue relates to goods and services supplied during the year and is recognised in the month that service is delivered. Revenue in respect of reimbursement of contract start-up costs is matched to those costs.

(ii) *Security*

Revenue relates to guarding services and support services such as installations of Access Control Systems or hired CCTV and biometric equipment. Revenue from guarding is recognised in the month that the service is delivered. Revenue from installations of Access Control Systems is recognised on the completion of the installation and revenue from hired CCTV and biometric equipment is recognised at the commencement of each non-cancellable rental period.

(iii) *Building Services*

Revenue relates to maintenance services provided, including those works undertaken but not yet invoiced as at the period end. Revenue is recognised in the month that the service is delivered. Profit is recognised on long term contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account revenue and related costs as contract activity progresses.

Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

(iv) *Mobilisation costs*

For large or complex contracts, mobilisation costs incurred during the initial stages of the contract are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract on a straight-line basis. If the contract become loss making, any unamortised costs are written off immediately. Unvoiced amounts at the year-end are included in debtors as accrued income.

(v) *Contract accounting*

Revenue from construction contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to the proportion of works which have been completed relative to agreed contract conditions. Where the contract outcomes cannot be measured reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as property, plant and equipment. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Common control transactions

Disposals of subsidiaries to other subsidiaries within the group are classed as common control transactions. These disposals are completed at the fair value of the net assets of the subsidiary at the date of sale and are settled in cash. Any profit or loss on disposal is taken to the Income Statement when the transaction is complete.

Income tax and deferred taxation

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

- the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect either accounting profit or taxable income; or

- the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary different will not reverse in the foreseeable future.

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

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

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

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

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

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:

Defined benefit pension scheme

Refer to note 27 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Estimated useful life of intangibles, property, plant and equipment and impairment testing

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Group also tests for impairment 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 profit or loss in the Income Statement unless the fair value less cost of disposal of the related asset is higher than the carrying value.

Fair value accounting on acquisition

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions.

Contingent consideration

Contingent consideration is measured for fair value changes annually based on forecast results for the acquired entity. The fair value is calculated based on budgets and forecast trading performance with any changes being recognised in the statement of profit or loss.

Forward contract liabilities

The forward contract is measured by reference to the previous 12 months EBITDA and when the liability is due to be extinguished. The Group uses judgement to determine which method to use to calculate the forward contract based on their knowledge of when the liability is most likely to be settled.

Non-underlying items

'Non-underlying items' are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of other items or not requires judgement. Other items before tax of £27.0m (2016: £0.8m) were charged to the income statement for the year ended 30 September 2017. An analysis of the amounts included in other items is detailed in note 8.

Recognition of intangible assets on acquisition

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

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Construction contracts

The Company recognises contract revenue and expenses in the Income Statement by using the stage of completion method. The stage of completion is determined by reference to the proportion of works which have been completed relative to agreed contract conditions. Significant judgement is required in determining stage of completion, the extent of the contract conditions met, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In making the judgement, the Company evaluates based on past experience and by relying on the work of specialists.

3. Revenue

	2017	2016
	£m	£m
The Group's revenue comprises:		
Services rendered	422.0	247.7
Goods sold	34.8	36.3
	456.8	**284.0**

SERVEST UK FINANCIAL STATEMENTS

Servest Limited

Interim Condensed Consolidated Statement of Profit or Loss

for the three month periods ended 31 December 2017 and 2016

	Note	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
		£m	£m	£m
Revenue	3	115.9	114.2	456.8
Cost of sales		(97.7)	(99.1)	(373.9)
Gross profit		**18.2**	**15.1**	**82.9**
Administrative expenses		(17.2)	(19.7)	(79.8)
Operating profit/(loss)	4	**1.0**	**(4.6)**	**3.1**
Share of net loss in associate		(4.2)	—	(2.6)
Finance income		0.1	—	0.1
Finance costs	6	(4.7)	(10.5)	(26.9)
Loss before taxation		**(7.8)**	**(15.1)**	**(26.3)**
Analysed as:				
Underlying profit before tax		(7.2)	0.4	0.7
Non-underlying items	5	(0.6)	(15.5)	(27.0)
Taxation	7	0.2	0.6	2.2
Loss for the period		**(7.6)**	**(14.5)**	**(24.1)**
Attributable to:				
Owners of the parent		(7.0)	(11.0)	(19.8)
Non-controlling interests		(0.6)	(3.5)	(4.3)
		(7.6)	(14.5)	(24.1)

Reconciliation of operating profit to earnings before interest, tax, depreciation and amortisation and non-underlying costs (Adjusted EBITDA)

	Note	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
		£m	£m	£m
Operating profit/(loss)		1.0	(4.6)	3.1
Amortisation	4	1.4	2.4	10.0
Depreciation	4	2.9	2.2	9.7
Non-underlying administrative costs (excluding amortisation)	5	0.3	6.1	7.2
Adjusted EBITDA		**5.6**	**6.1**	**30.0**

In addition to measuring financial performance based on profit, the Directors have also chosen to disclose adjusted EBITDA. This is because, in the Director's view, adjusted EBITDA reflects the underlying operating cash generation, by eliminating depreciation, amortisation, interest, tax and non-underlying costs. The Directors consider adjusted EBITDA to be a useful measure of the Group's operating performance. Since this is a non-IFRS measure, it may not be directly comparable to the adjusted EBITDA of other companies, as they may define it differently.

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Interim Condensed Consolidated Statement of Other Comprehensive Income

for the three month periods ended 31 December 2017 and 2016

	Three months ended 31-Dec-17 (unaudited)	**Three months ended 31-Dec-16 (unaudited)**	**Year ended 30-Sep-17**
	£m	**£m**	**£m**
Loss for the financial period	(7.6)	(14.5)	(24.1)
Other comprehensive (loss)/gain:			
Items not reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefit plans	—	—	0.1
Defined benefit pension plan surplus not recognised	—	—	(0.1)
Total other comprehensive loss for the period, net of tax	—	—	—
Total comprehensive expenditure for the period	**(7.6)**	**(14.5)**	**(24.1)**
Total comprehensive expenditure attributable to:			
Owners of the parent	(7.0)	(11.0)	(19.8)
Non-controlling interests	(0.6)	(3.5)	(4.3)
	(7.6)	**(14.5)**	**(24.1)**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited

Interim Condensed Consolidated Statement of Financial Position

as at 31 December 2017 and 2016

	Note	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
		£m	**£m**	**£m**
Assets				
Non-current assets				
Other intangible assets	10	24.0	32.0	25.3
Goodwill	11	79.5	79.2	79.5
Property, plant and equipment	12	30.9	27.2	25.2
Investments		3.9	—	8.0
Long term receivables		5.1	—	5.0
Total non-current assets		**143.4**	**138.4**	**143.0**
Current assets				
Inventories		7.0	8.4	10.7
Trade receivables		68.3	64.2	60.8
Other receivables		33.7	21.9	22.6
Income tax repayable		1.6	—	1.8
Cash and cash equivalents		1.7	1.8	8.8
Total current assets		**112.3**	**96.3**	**104.7**
Total assets		**255.7**	**234.7**	**247.7**
Liabilities				
Non-current liabilities				
Loans and borrowings		132.1	117.4	129.6
Trade and other payables		—	7.0	4.9
Leases		5.4	3.4	0.1
Deferred tax		3.6	5.8	4.0
Total non-current liabilities		**141.1**	**133.6**	**138.6**
Current liabilities				
Loans and borrowings		38.4	2.2	25.8
Trade and other payables		80.5	82.6	79.6
Income tax payable		—	0.3	—
Leases		0.2	2.8	0.2
Total current liabilities		**119.1**	**87.9**	**105.6**
Total liabilities		**260.2**	**221.5**	**244.2**
Total assets and liabilities		**(4.5)**	**13.2**	**3.5**
Equity				
Share capital	8	16.4	16.4	16.4
Retained earnings		(21.9)	(7.4)	(14.5)
Equity reserve		—	0.5	—
Equity attributable to owners of the parent		**(5.5)**	**9.5**	**1.9**
Non-controlling interest		1.0	3.7	1.6
Total equity		**(4.5)**	**13.2**	**3.5**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited
Interim Condensed Consolidated Statement of Changes in Equity
for the three month periods ended 31 December 2017 and 2016

	Share capital	Retained earnings	Equity reserve	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m
For the three month period ended 31 December 2017 *(unaudited)*						
Balance at 1 October 2017 as previously stated	16.4	(14.5)	—	1.9	1.6	3.5
Impact of change in accounting policy (note 2)	—	(0.4)	—	(0.4)	—	(0.4)
Adjusted balance at 1 October 2017	**16.4**	**(14.9)**	**—**	**1.5**	**1.6**	**3.1**
Total comprehensive loss for the period	—	(7.0)	—	(7.0)	(0.6)	(7.6)
Total comprehensive expenditure	**—**	**(7.0)**	**—**	**(7.0)**	**(0.6)**	**(7.6)**
Balance at 31 December 2017	**16.4**	**(21.9)**	**—**	**(5.5)**	**1.0**	**(4.5)**
	£m	£m	£m	£m	£m	£m
For the three month period ended 31 December 2016 *(unaudited)*						
Balance at 1 October 2016	**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Total comprehensive loss for the period	—	(11.0)	—	(11.0)	(3.5)	(14.5)
Total comprehensive expenditure	**—**	**(11.0)**	**—**	**(11.0)**	**(3.5)**	**(14.5)**
Balance at 31 December 2016	**16.4**	**(7.4)**	**0.5**	**9.5**	**3.7**	**13.2**
	£m	£m	£m	£m	£m	£m
For the year ended 30 September 2017						
Balance at 1 October 2016	**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Total comprehensive loss for the year	—	(19.8)	—	(19.8)	(4.3)	(24.1)
Equity reserve movement	—	0.5	(0.5)	—	—	—
Total comprehensive expenditure	**—**	**(19.3)**	**(0.5)**	**(19.8)**	**(4.3)**	**(24.1)**
Transactions with owners						
Other movements in NCI	—	1.3	—	1.3	(1.3)	—
Disposals of existing NCI	—	(0.1)	—	(0.1)	—	(0.1)
Balance at 30 September 2017	**16.4**	**(14.5)**	**—**	**1.9**	**1.6**	**3.5**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited
Interim Condensed Consolidated Statement of Cash Flows
for the three month periods ended 31 December 2017 and 2016

	Note	Three months ended 31-Dec 2017 (unaudited)	Three months ended 31-Dec 2016 (unaudited)	Year ended 30-Sep 2017
		£m	£m	£m
Cash flows from operating activities				
Cash receipts from customers		108.3	80.4	428.1
Cash paid to suppliers and employees		(118.2)	(87.1)	(418.0)
Cash (used in)/generated from operations		(9.9)	(6.7)	10.1
Interest received		—	—	0.1
Interest paid		(4.3)	(3.5)	(13.4)
Income taxes paid (received)		—	0.2	(1.6)
Net cash outflow from operating activities		**(14.2)**	**(10.0)**	**(4.8)**
Cash flows from investing activities				
Purchase of property, plant, equipment		(2.6)	(3.8)	(10.3)
Purchase of intangibles		(0.1)	—	(0.6)
Proceeds from the sale of equipment		—	—	0.8
Payment of deferred consideration	13	(1.4)	—	(0.2)
Equity investment in associate		—	—	(10.6)
Loan to associate		—	—	(4.9)
Acquisition of trade and assets/subsidiaries, net of cash acquired		—	(35.2)	(35.3)
Net cash outflow from investing activities		**(4.1)**	**(39.0)**	**(61.1)**
Cash flows from financing activities				
Proceeds from loans and borrowings		—	50.7	201.3
Finance costs		—	(3.7)	(10.4)
Repurchase of non-controlling interest shares in subsidiary		—	—	(0.1)
Cash flows from non-controlling interest		—	—	0.1
Capital element of leases repaid		(0.6)	(0.5)	(5.8)
Long term liabilities repaid		—	—	(122.0)
Net cash (outflow)/inflow from financing activities		**(0.6)**	**46.5**	**63.1**
Net decrease in cash and cash equivalents		(18.9)	(2.5)	(2.8)
Net cash and cash equivalents at period start		(0.7)	2.1	2.1
Net cash and cash equivalents at period end	9	**(19.6)**	**(0.4)**	**(0.7)**

The notes form an integral part of these interim condensed consolidated financial statements

Servest Limited
Notes to the Interim Condensed Consolidated Financial Statements
for the three month periods ended 31 December 2017 and 2016

1. General information

Servest Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Servest House, Heath Farm Business Centre, Tut Hill, Fornham All Saints, Bury St. Edmunds, Suffolk, IP28 6LG. The registered number of the Company is 03786009. The Company is the holding company of a number of subsidiaries including Servest Group Limited whose activities consist principally of facilities management services.

These consolidated interim financial statements for both the three months ended 31 December 2017 and the three months ended 31 December 2016 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017 and 30 September 2016.

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

2. Accounting policies

The annual financial statements of Servest Limited are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial information included in this interim financial report has been prepared in accordance with International Accounting Standard 34 *'Interim Financial Reporting'* as adopted by the European Union. This interim financial report has been prepared under the historical cost convention, except for the following items:

- Contingent consideration
- Net defined benefit pension scheme asset
- Forward contract liabilities

The accounting policies and critical accounting judgements and estimates applied are consistent with those set out in the Servest Limited Annual Report and Accounts dated 30 September 2017, and these accounting policies and critical accounting judgements and estimates are expected to apply for the year ending 30 September 2018 with the exception of the new and amended standards adopted and critical accounting estimates and judgements considered below. The Group hold financial instruments which include financial assets (trade and other receivables excluding prepayments and cash and cash equivalents) and financial liabilities (borrowings and trade and other payables excluding non-financial liabilities).

New and amended standards adopted by the Group

IFRS 15 was issued in May 2014 and has been early adopted by the Group from 1 October 2017 using the cumulative effect method. IFRS 15 introduces a 5-step approach to revenue recognition. The Group has concluded that there are no material changes to revenue recognition as a result of adopting this new standard. As a result of this early adoption, there has been a balance sheet reclassification between Inventories and Trade and other receivables relating to work in progress of £4.5m as at 31 December 2017 to reflect that control is transferred to the customer continuously over time.

IFRS 16 was issued in January 2016 and has been early adopted by the Group from 1 October 2017 using the modified retrospective method. This has resulted in the addition of £5.4m right-of-use assets included in property, plant and equipment, £5.8m of lease liability and a £0.4m opening retained earnings adjustment for the three-month period ended 31 December 2017. This has also meant that for the three-month period to 31 December 2017, there are no operating lease rentals being recognised through the Consolidated Statement of Profit or Loss. The adoption of this new standard has increased interest expense by £0.1m, increased depreciation by £0.4m and reduced operating expenses by £0.5m in the period to 31 December 2017.

Revenue

The Group has early adopted IFRS 15 from 1 October 2017 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11 consistent with the policies set out in the Servest Limited Annual Report and Accounts dated 30 September 2017.

Facilities management, cleaning, catering, security guarding, compliance and pest

The revenue for the above services is recognised at a point in time when the service has been delivered to the customer. There is limited judgement needed in identifying the point control passes: once the service has been delivered, the Group will have a present right to payment.

For security guarding, compliance and pest, there is a fixed hourly unit price for each service provided therefore there is no judgement in allocating the contract price to each service in such contracts. Where a customer has more than one service, the Group is able to determine the split of the total contract price between each service line by reference to each service line's standalone selling prices (all service lines are capable of being, and are, sold separately).

Cleaning contracts are on an output basis whereby the number of hours necessary to get to the required standard may vary from month to month. However, the amount charged is fixed on an hourly basis so there is no judgement required in allocating the price to the service.

For catering, there are either fixed price contracts or cost-plus contracts. This means there is no judgement required as both types have a defined price allocated to the service provided.

Security systems

Revenue from the installation of Systems is recognised when control of the goods has transferred to the customer. This is generally on completion of the installation. There is limited judgement needed in identifying the point control passes: once installation of the products in the agreed location has occurred, the Group no longer has physical possession, usually with a present right to payment and retains none of the significant risks and rewards of the goods in question.

There is a fixed unit price for each system sold therefore there is no judgement in allocating the contract price to each system ordered in such contracts.

Building services

Revenue from long term contracts is recognised over time. This is because work undertaken has no alternative use for the Group and the contracts would require payment to be received for the labour and materials spent by the Group on progressing the contracts in the event of the customer cancelling the contract prior to the completion for any reason other than the Group's failure to perform its obligations under the contract. For partially complete construction or installation contracts, the Group recognises revenue based on stage of completion of the project which is estimated by reference to the proportion of works which have been completed relative to the total amount of work due to be completed in line with the agreed contract conditions (i.e. an input-based method). The estimation of proportion of completion is undertaken by experts (Chartered Surveyors).

For most building service contracts, there is a single performance obligation, being the construction or installation in a particular building. Where there are contracts with multiple performance obligations, the allocation of the transaction price is based on the standalone price for each individual service provided as they are all capable, and are, sold separately. Therefore, there is no judgement required to allocate the price to individual performance obligations.

Leases

The Group has early adopted IFRS 16 from 1 October 2017 using the modified retrospective approach and therefore the comparative information has not been restated and continue to be reported under IAS17 and IFRIC 4 consistent with the policies set out in Servest Limited Annual Report and Accounts dated 30 September 2017.

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

- The contract involves the use of an identified asset

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use' and

- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making right that are most relevant to changing how and for what purpose the asset is used.

The policy is applied to contracts entered into, or changed, on or after 1 October 2017.

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

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability it remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Going concern

For the three-month period ended 31 December 2017, the Group made a loss of £7.6m, cash outflow from operating activities of £14.2 million, and has net current liabilities of £6.8m and net liabilities of £4.5m. The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the interim financial statements:

- Subsequent to the period ended 31 December 2017, a share purchase agreement has been entered into with the shareholders to sell the entire share capital of the Company to Atalian Global Services UK 2 Limited. As a result of this transaction, the Group will have access to sufficient working capital and cash resources to enable it to meet its objectives and financial obligations in the future.

- The Group has successfully expanded its revenue base in Q2 FY18 by winning major new contracts which will contribute additional net cash inflows throughout the remainder of FY18.

On the basis of their assessment of the Group's financial position, forecasts and future plans, the Directors have reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Critical accounting estimates and judgements

The Group have entered into various lease agreements for certain properties, motor vehicles and equipment. With effect from 1 October 2017 the Group has early adopted IFRS 16 using a modified retrospective approach. The Group determines the initial classification and measurement of their right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. IFRS 16 requires significant judgments, including estimation of the rate implicit in the lease, incremental borrowing rates and reasonably assured lease terms. The lease term includes any renewal options and termination options that they are reasonably assured to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease for finance leases and its incremental borrowing rate for operating leases.

Seasonality

The Group's business is subject to some seasonal fluctuations. In particular, project work in the Building Services division is typically reduced in the winter months and increased in the spring, summer and autumn because of weather conditions. The Catering division also contributes to seasonality to a more limited extent because of a reduction in activity in the education sector during school holiday periods (typically, at year end and during the summer months).

3. Revenue

In the following table, revenue is disaggregated by major service line.

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Building Services	37.8	37.1	150.7
Catering	25.4	24.2	89.9
Cleaning	43.6	45.2	184.8
Compliance	0.4	0.5	1.7
Pest	0.4	0.4	1.8
Security	8.3	6.8	27.9
	115.9	**114.2**	**456.8**

4. Operating profit/(loss)

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Group operating profit/(loss) for the period is stated after the following:			
Staff costs	72.1	63.4	284.3
Amortisation of intangible assets	1.4	2.4	9.5
Amortisation of development expenditure	—	—	0.5
Depreciation of tangible fixed assets:			
—owned by the group	2.5	2.2	9.6
—IFRS 16 right of use assets	0.4	—	—
—held under finance leases	—	—	0.1
Profit on disposals of property, plant and equipment	—	—	(0.1)
Operating lease rentals:			
—plant and machinery	—	0.2	0.8
—other operating leases	—	0.5	1.8
Goodwill and intangible asset impairment charge	—	3.9	3.9
Subcontractor costs	10.7	9.4	37.6
Consumables	25.4	22.3	88.9

5. Non-underlying items

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Acquisition costs	—	2.0	2.0
Redundancy and other costs	0.3	0.2	1.5
Goodwill and intangible asset impairment charge	—	3.9	3.9
Change in fair value of contingent consideration	—	—	(0.2)
Non-underlying administrative costs (excluding amortization)	**0.3**	**6.1**	**7.2**
Amortisation of acquired intangibles	1.3	2.4	9.5
Administrative expenses	**1.6**	**8.5**	**16.7**

Finance costs	(1.0)	7.0	10.3
Total underlying items	0.6	15.5	27.0

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

Contingent consideration movements: in accordance with IFRS 3, movements in the fair value of contingent consideration on acquisitions go through the Group income statement. These are reported separately because performance of the acquired businesses is assessed through the underlying operational results and such a charge/credit movement would distort underlying results.

Impairment of goodwill: the Group carries on its balance sheet significant balances related to acquired goodwill. Goodwill is subject to annual impairment testing, and any impairment charges are reported separately as they distort the in-year trading results and because performance of the acquired businesses is assessed through the underlying operational results.

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

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

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Forward contract expense	(1.0)	7.0	4.9
Amortised debt costs	—	—	5.4
Finance costs	**(1.0)**	**7.0**	**10.3**

Forward contract liability: the Group entered into a one-off transaction relating to refinancing in November 2016. As this is a one-off transaction of financing, it would not be appropriate to include the costs and subsequent fair value adjustments within the underlying results of the Group.

Amortised debt costs: as part of raising finance, certain costs related to the financing are capitalised and spread over the length of the loan. Amounts that are repaid early due to refinancing do not represent the true underlying finance cost due to the acceleration of payment and are therefore presented as non-underlying.

6. Finance costs

	Three months ended 31-Dec-17 (unaudited)	Three months ended 31-Dec-16 (unaudited)	Year ended 30-Sep-17
	£m	£m	£m
Interest on bank loans and overdrafts	4.7	3.1	15.0
Fair value adjustments to forward contract liability	(1.0)	7.0	4.9
Interest on finance leases, hire purchase contracts and IFRS 16 liabilities	0.1	0.1	0.3
Amortised debt costs	0.9	0.3	6.7
	4.7	**10.5**	**26.9**

7. Taxation

Tax is charged at 19% for the three months ended 31 December 2017 (30 December 2016: 20%, 30 September 2017: 8.4%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the three-month period, except where the benefit relating to a tax loss cannot be carried back to recover current tax of a previous period or where it is not probable future taxable profit will be available against tax losses carried forward.

8. Share capital

	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
	£m	£m	£m
Allotted, called up and fully paid			
13,121,602 Ordinary A shares of £1 each	13.2	13.2	13.2
3,240,137 Ordinary B shares of £1 each	3.2	3.2	3.2
	16.4	**16.4**	**16.4**

9. Cash and cash equivalents

	31-Dec 2017 (unaudited)	31-Dec 2016 (unaudited)	30-Sep 2017
	£m	£m	£m
Cash in hand	0.7	1.0	1.2
Balances with banks	1.0	0.8	7.6
Cash and cash equivalents	**1.7**	**1.8**	**8.8**
Bank overdrafts	(21.3)	(2.2)	(9.5)
Net cash	**(19.6)**	**(0.4)**	**(0.7)**

10. Other intangible assets

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2017 *(unaudited)*						
Cost						
At 1 October 2017	2.2	35.6	7.5	3.3	0.5	49.1
Additions	0.1	—	—	—	—	0.1
At 31 December 2017	**2.3**	**35.6**	**7.5**	**3.3**	**0.5**	**49.2**
Accumulated amortisation						
At 1 October 2017	0.4	18.8	3.8	0.6	0.2	23.8
Charge for the period	—	0.7	0.4	0.2	0.1	1.4
At 31 December 2017	**0.4**	**19.5**	**4.2**	**0.8**	**0.3**	**25.2**
Net book amount						
At 31 December 2017	**1.9**	**16.1**	**3.3**	**2.5**	**0.2**	**24.0**

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2016 *(unaudited)*						
Cost						
At 1 October 2016	1.6	30.6	—	—	0.5	32.7
Additions on acquisition	—	5.0	7.5	3.3	—	15.8
At 31 December 2016	**1.6**	**35.6**	**7.5**	**3.3**	**0.5**	**48.5**
Accumulated amortisation						
At 1 October 2016	0.2	13.7	—	—	0.2	14.1
Charge for the period	—	0.8	1.5	0.1	—	2.4
At 31 December 2016	**0.2**	**14.5**	**1.5**	**0.1**	**0.2**	**16.5**
Net book amount						
At 31 December 2016	**1.4**	**21.1**	**6.0**	**3.2**	**0.3**	**32.0**

	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
For the year ended 30 September 2017						
Cost						
At 1 October 2016	1.6	30.6	—	—	0.5	32.7
Additions	0.6	—	—	—	—	0.6
Additions on acquisition	—	5.0	7.5	3.3	—	15.8
Disposals	(0.3)	—	—	—	—	(0.3)
Transfers	0.3	—	—	—	—	0.3
At 30 September 2017	**2.2**	**35.6**	**7.5**	**3.3**	**0.5**	**49.1**
Accumulated amortisation						
At 1 October 2016	0.2	13.7	—	—	0.2	14.1
Charge for the year	0.5	5.1	3.8	0.6	—	10.0
Disposals	(0.3)	—	—	—	—	(0.3)
At 30 September 2017	**0.4**	**18.8**	**3.8**	**0.6**	**0.2**	**23.8**
Net book amount						
At 30 September 2017	**1.8**	**16.8**	**3.7**	**2.7**	**0.3**	**25.3**

11. Goodwill

	Goodwill
	£m
For the three months ended 31 December 2017 *(unaudited)*	
Cost	
At 1 October 2017	79.5
At 31 December 2017	**79.5**

	Goodwill
	£m
For the three months ended 31 December 2016 *(unaudited)*	
Cost	
At 1 October 2016	47.5
Recognised on acquisition of subsidiaries	35.6
Impairment losses	(3.9)
At 31 December 2016	**79.2**

	Goodwill
	£m
For the year ended 30 September 2017	
Cost	
At 1 October 2016	47.5
Recognised on acquisition of subsidiaries	35.9
Impairment losses	(3.9)
At 30 September 2017	**79.5**

Acquisition of Catering Academy Limited

During the year ended 30 September 2017, the Group acquired 100% of the share capital of Catering Academy Limited, Arthur McKay & Co Limited and Pro-Check Environmental Services Northern Limited. The acquisition method of accounting was used for all business combinations.

Details of the fair value of identifiable assets and liabilities for the acquisition of Catering Academy Limited, a contract catering company that operates primarily within the distribution, manufacturing, education and leisure sectors that took place on 24 October 2016, are as follows:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Trade and other receivables	3.9	—	3.9
Property, plant & equipment	0.5	—	0.5
Inventories	0.7	—	0.7
Cash and cash equivalents	1.7	—	1.7
Order book	—	1.9	1.9
Customer relationships	—	0.5	0.5
Deferred tax on other intangibles	—	(0.4)	(0.4)
Trade and other payables	(6.5)	—	(6.5)
Net assets acquired	**0.3**	**2.0**	**2.3**

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

	£m
Cash	13.5
Contingent cash consideration	1.4
Net assets acquired	(2.3)
Goodwill	**12.6**

Acquisition costs of £0.6m were recognised as an expense in non-underlying administrative expenses in the period to 31 December 2016.

The business acquired contributed £8.8m to the Servest Limited group revenue in the period ended 31 December 2016. The effect on the net profit for the year since acquisition date to their first-time consolidation was £0.5m. Had this business combination been effective for the full quarter, the revenue and profit associated with it would have been £9.3m and £0.6m respectively.

Acquisition of Arthur McKay & Co Limited

Details of the fair value of identifiable assets and liabilities for the acquisition of Arthur McKay & Co Limited, a mechanical and electrical engineering company based in Scotland that took place on 18 October 2016, are as follows:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Trade and other receivables	9.5	—	9.5
Property, plant & equipment	4.2	0.4	4.6
Inventories	19.9	—	19.9
Cash and cash equivalents	17.7	—	17.7
Order backlog	—	5.6	5.6
Customer relationships	—	4.5	4.5
Trade name	—	3.3	3.3
Deferred tax on other intangibles	—	(2.3)	(2.3)
Trade and other payables	(46.2)	—	(46.2)
Net assets acquired	**5.1**	**11.5**	**16.6**

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

	£m
Cash	39.6
Net assets acquired	(16.6)
Goodwill	**23.0**

Acquisition costs of £1.0m were recognised as an expense in non-underlying administrative expenses in the period to 31 December 2016.

The business acquired contributed £31.7m to the Servest Limited group revenue in the period ended 31 December 2016. The effect on the net profit for the year since acquisition date to their first-time consolidation was £1.8m. Had this business combination been effective for the full quarter, the revenue and profit associated with it would have been £33.2m and £1.9m respectively.

Details of the fair value of identifiable assets and liabilities for the acquisition of Pro-Check Environmental Services Northern Limited that took place on 31 December 2016 are as follows:

Acquisition of Pro-Check Environmental Services Northern Limited	**Book value**	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Trade and other payables	(0.1)	—	(0.1)
Net liabilities acquired	**(0.1)**	**—**	**(0.1)**

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

	£m
Cash	0.2
Net liabilities acquired	0.1
Goodwill	**0.3**

12. Property, plant and equipment

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2017 *(unaudited)*						
Cost						
Balance at 1 October 2017 as previously stated	3.5	1.7	20.3	8.3	10.4	44.2
Impact of change in accounting policy (note 2)	—	2.9	—	2.5	—	5.4
Adjusted balance at 1 October 2017	**3.5**	**4.6**	**20.3**	**10.8**	**10.4**	**49.6**
Additions at cost	—	0.1	2.6	—	0.5	3.2
Disposals	—	—	(0.2)	—	—	(0.2)
At 31 December 2017	**3.5**	**4.7**	**22.7**	**10.8**	**10.9**	**52.6**
Accumulated Depreciation						
Balance at 1 October 2017	0.1	0.8	8.9	3.7	5.5	19.0
Charges for the period	—	0.3	1.2	0.7	0.7	2.9
Disposals	—	—	(0.2)	—	—	(0.2)
At 31 December 2017	**0.1**	**1.1**	**9.9**	**4.4**	**6.2**	**21.7**
Net book amount						
At 31 December 2017	**3.4**	**3.6**	**12.8**	**6.4**	**4.7**	**30.9**

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the three months ended 31 December 2016 *(unaudited)*						
Cost						
At 1 October 2016	—	0.9	20.0	7.1	8.9	36.9
Additions at cost	—	0.1	2.8	0.4	0.5	3.8
Additions on acquisition	3.3	0.7	0.6	0.1	—	4.7
At 31 December 2016	**3.3**	**1.7**	**23.4**	**7.6**	**9.4**	**45.4**
Accumulated Depreciation						
At 1 October 2016	—	0.5	8.9	2.5	4.1	16.0
Charges for the period	—	0.1	1.1	0.4	0.6	2.2
At 31 December 2016	**—**	**0.6**	**10.0**	**2.9**	**4.7**	**18.2**
Net book amount						
At 31 December 2016	**3.3**	**1.1**	**13.4**	**4.7**	**4.7**	**27.2**

	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
For the year ended 30 September 2017						
Cost						
At 1 October 2016	—	0.9	20.0	7.1	8.9	36.9
Additions at cost	0.2	0.1	5.4	1.6	3.0	10.3
Additions on acquisition	3.3	0.7	0.6	0.1	—	4.7
Disposals	—	—	(5.7)	(0.5)	(1.2)	(7.4)
Transfers	—	—	—	—	(0.3)	(0.3)
At 30 September 2017	**3.5**	**1.7**	**20.3**	**8.3**	**10.4**	**44.2**
Accumulated Depreciation						
At 1 October 2016	—	0.5	8.9	2.5	4.1	16.0
Charges for the year	0.1	0.3	5.1	1.6	2.6	9.7
Disposals	—	—	(5.1)	(0.4)	(1.2)	(6.7)
At 30 September 2017	**0.1**	**0.8**	**8.9**	**3.7**	**5.5**	**19.0**
Net book amount						
At 30 September 2017	**3.4**	**0.9**	**11.4**	**4.6**	**4.9**	**25.2**

13. Fair value

a) Contingent consideration

The contingent consideration is a financial liability held at fair value. The fair value is determined by the application of level 3 as it is not linked to quoted prices or observable market data. The value of contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The opening contingent consideration at 30 September 2017 was £1.4m, £1.4m has been paid during the period to 31 December 2017. The closing balance is therefore £nil. See note 11 for further detail.

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

b) Derivative financial instruments

The forward contract is a derivative financial liability held at fair value through profit or loss and is included in current trade and other payables (December 2016: Non-current trade and other payables). The fair value is determined by level 2 as it is linked to observable inputs. The value of the forward contract is dependent on the last twelve months EBITDA, net debt of the group and 'synthetic equity' of the Group which is defined in the forward contract agreement. The liability can be settled at any time by the Group and the other party has the option to obligate the Group to settle the liability from the second anniversary of award, being November 2018. The amount payable is affected by who chooses for the liability to be settled. Adjustments to the fair value at each period end are recorded in finance costs. The value of the forward contract at 30 December 2016 was £7.0m and the movement through the income statement for the three-month period was £7.0m charge. The value of the forward contract at 30 September 2017 was £4.9m and the movement through the income statement for the 12-month period was £4.9m charge. The value of the forward contract at 31 December 2017 was £3.9m and the movement through the income statement for the three-month period was £1.0m credit.

c) Investments

Within the shareholders agreement for the investment in Bottega Investco S.À R.L entered into in July 2017, 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 Servest Limited 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 2017, no value has been attributed to this derivative based on the carrying value being materially comparable to the period end fair value of the investment of which the value of the derivative would be based.

The Group has no other financial instruments measured as level 1, 2 or 3, included at fair value other than those detailed above.

Carrying Amount versus Fair Value

The following table compares the carrying amounts and fair values of the group's financial liabilities as at:

	31-Dec-17 (Unaudited)		**31-Dec-16 (Unaudited)**		**30-Sep-17**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities						
Loans and borrowings	170.5	174.5	119.6	125.2	155.4	161.9
Leases	5.6	5.6	6.2	6.2	0.3	0.3
	176.1	180.1	125.8	131.4	155.7	162.2

For all other items, the Directors believe the fair value of the liabilities is not materially different to the statement of financial position value due to the timings of the repayments at market rates of interest.

14. Financial Instruments

Foreign exchange risk

As a consequence of Servest Limited's acquisition of Aktrion Holdings Limited foreign exchange risk will arise when individual Group entities enter into transactions denominated in a currency other than their own or the group's functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

15. Events after the reporting period

On 6 February 2018, Servest Limited purchased 100% of the share capital in Aktrion Holdings Limited, a trading entity that provides outsourced business support services throughout the UK and mainland Europe to a blue-chip customer base, based in Telford. The Company entered into the sale and purchase agreements to acquire the company on 6 February and control was passed on that date. The cash consideration paid was £1.6m plus contingent cash consideration of £2.5m. The contingent cash consideration is payable based on the post-acquisition gross profit earned by the acquired business in the 12-month period to 31 January 2019. The contingent cash consideration ranges between £nil and £2.5m depending on the level of gross profit achieved in the 12-month period to 31 January 2019.

The primary reason for the above acquisition was to obtain access to new market sectors, acquire an international operation with a customer base that fits nicely with other group companies and enhance the Group's ability to provide comprehensive facility management contracts.

Due to the timing of the acquisition, the exercise to determine the fair value of net assets and contingent liabilities acquired has not yet been completed. Therefore, it is not possible to disclose information in regard to acquired receivables and the amounts recognised as of the acquisition date for each major class of asset acquired and liabilities assumed.

The Company entered into the sale and purchase agreement to acquire Thermotech Solutions Limited on 16 March. The completion of this transaction is not due to take place until after this report has been signed and control will not pass until completion. Thermotech Solutions Limited is a trading entity that specialises in fire sprinkler design, installation, service and maintenance throughout the UK, based in Stockport.

The Company entered into the sale and purchase agreement to acquire Unique Catering and Management Services Limited on 16 March. The completion of this transaction is not due to take place until after this report has been signed and control will not pass until completion. Unique Catering and Management Services Limited is a trading entity that provides quality catering facilities and related management services to both industry and commerce, based in Warwick.

Subsequent to the period ended 31 December 2017, a share purchase agreement has been entered into with the shareholders to sell the entire share capital of the Company together with the issued shares in Servest Group Holdings Limited not held by Servest Limited to Atalian Global Services UK 2 Limited (Atalian). The completion of this transaction is not due to take place until after this report has been signed. On the Completion Date, Atalian will (directly or indirectly) pay €593.0 million equivalent to fund the purchase price of the Acquisition and to repay all amounts outstanding under Servest Limited's external facilities, other than the Lloyds Card Facilities. Control of the Company will pass to the new owners on the completion date. Therefore, the controlling party remains as disclosed in the annual accounts for the year ended 30 September 2017.

16. Related parties

There are no significant updates to related party transactions to what was previously disclosed in the annual accounts for the year ended 30 September 2017.

Servest Limited
Financial statements
For the year ended 30 September 2017
Company number: 03786009

Servest Limited
Consolidated Statement of Profit or Loss
for the year ended 30 September 2017

	Note	Business performance	Non-underlying items[1]	Total 2017	Business performance	Non-underlying items[1]	Total 2016
		£m	£m	£m	£m	£m	£m
Revenue	3	456.8	—	456.8	284.0	—	284.0
Cost of sales		(373.9)	—	(373.9)	(233.8)	—	(233.8)
Gross profit		**82.9**	**—**	**82.9**	**50.2**	**—**	**50.2**
Administrative expenses		(63.1)	(16.7)	(79.8)	(42.1)	(0.8)	(42.9)
Operating profit/(loss)	4	**19.8**	**(16.7)**	**3.1**	**8.1**	**(0.8)**	**7.3**
Share of net loss in associate		(2.6)	—	(2.6)	—	—	—
Finance income	10	0.1	—	0.1	0.1	—	0.1
Finance costs	9	(16.6)	(10.3)	(26.9)	(8.7)	—	(8.7)
Profit/(loss) before taxation		**0.7**	**(27.0)**	**(26.3)**	**(0.5)**	**(0.8)**	**(1.3)**
Taxation	11			2.2			0.6
Loss for the year				**(24.1)**			**(0.7)**
Attributable to:							
Owners of the parent				(19.8)			(0.5)
Non-controlling interests				(4.3)			(0.2)
				(24.1)			(0.7)

1 Non-underlying items are explained in note 8

Reconciliation of operating profit to earnings before interest, tax, depreciation and amortisation and non-underlying costs (Adjusted EBITDA)

	Note	2017	2016
		£m	£m
Operating profit		3.1	7.3
Amortisation	4	10.0	3.2
Depreciation	4	9.7	6.9
Non-underlying costs (excluding amortisation)	8	7.2	0.8
Adjusted EBITDA		**30.0**	**18.2**

In addition to measuring financial performance based on profit, the Directors have also chosen to disclose adjusted EBITDA. This is because, in the Director's view, adjusted EBITDA reflects the underlying operating cash generation, by eliminating depreciation, amortisation, interest, tax and non-underlying costs. The Directors consider adjusted EBITDA to be a useful measure of the Group's operating performance.

Since this is a non-IFRS measure, it may not be directly comparable to the adjusted EBITDA of other companies, as they may define it differently.

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Consolidated Statement of Other Comprehensive Income
for the year ended 30 September 2017

	Note	2017	2016
		£m	£m
Loss for the financial year		(24.1)	(0.7)
Other comprehensive (loss)/gain:			
Actuarial gain/(loss) on defined benefit plans	27	0.1	(0.3)
Defined benefit pension plan surplus not recognised	27	(0.1)	(0.4)
Tax relating to components of other comprehensive gain		—	0.1
Other comprehensive loss for the year, net of tax		—	(0.6)
Total comprehensive expenditure for the year		**(24.1)**	**(1.3)**
Total comprehensive expenditure attributable to:			
Owners of the parent		(19.8)	(0.9)
Non-controlling interests		(4.3)	(0.4)
		(24.1)	**(1.3)**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Consolidated Statement of Financial Position
as at 30 September 2017

	Note	2017	2016
		£m	£m
Assets			
Non-current assets			
Other intangible assets	12	25.3	18.6
Goodwill	13	79.5	47.5
Property, plant and equipment	14	25.2	20.9
Investments	15	8.0	—
Long term receivables	19	5.0	—
Total non-current assets		**143.0**	**87.0**
Current assets			
Inventories	16	10.7	5.1
Trade receivables	17	60.8	31.1
Other receivables	18	22.6	22.1
Income tax repayable		1.8	0.2
Cash and cash equivalents	25	8.8	2.1
Total current assets		**104.7**	**60.6**
Total assets		**247.7**	**147.6**
Liabilities			
Non-current liabilities			
Loans and borrowings	21	129.6	70.7
Trade and other payables	20	4.9	—
Finance leases	22	0.1	3.4
Deferred tax	23	4.0	3.9
Total non-current liabilities		**138.6**	**78.0**
Current liabilities			
Loans and borrowings	21	25.8	—
Trade and other payables	20	79.6	39.3
Finance leases	22	0.2	2.6
Total current liabilities		**105.6**	**41.9**
Total liabilities		**244.2**	**119.9**
Total assets and liabilities		**3.5**	**27.7**
Equity			
Share capital	24	16.4	16.4
Retained earnings		(14.5)	3.6
Equity reserve		—	0.5
Equity attributable to owners of the parent		**1.9**	**20.5**
Non-controlling interest		1.6	7.2
Total equity		**3.5**	**27.7**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Company Statement of Financial Position
as at 30 September 2017

	Note	2017	2016
		£m	£m
Assets			
Non-current assets			
Investments	15	22.6	12.0
Long term receivables	19	5.0	—
Total non-current assets		**27.6**	**12.0**
Current assets			
Trade receivables	17	0.1	—
Other receivables	18	0.3	—
Cash and cash equivalents	25	—	0.1
Total current assets		**0.4**	**0.1**
Total assets		**28.0**	**12.1**
Liabilities			
Non-current liabilities			
Loans and borrowings	21	0.1	0.4
Total non-current liabilities		**0.1**	**0.4**
Current liabilities			
Loans and borrowings	21	16.3	—
Trade and other payables	20	0.2	—
Total current liabilities		**16.5**	**—**
Total liabilities		**16.6**	**0.4**
Total assets and liabilities		**11.4**	**11.7**
Equity			
Share capital	24	16.4	16.4
Retained earnings		(5.0)	(4.7)
Shareholders' funds		**11.4**	**11.7**

The notes on pages 18 to 50 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 loss of the Company for the year ended 30 September 2017 was £0.3m (2016: £0.1m profit).

Servest Limited
Consolidated Statement of Changes in Equity
for the year ended 30 September 2017

	Note	Share capital	Retained earnings	Equity reserve	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m
Balance at 1 October 2015...		**16.4**	**4.8**	**—**	**21.2**	**7.8**	**29.0**
Loss for the year		—	(0.5)	—	(0.5)	(0.2)	(0.7)
Actuarial (loss)/gain on defined benefit plans..........	27	—	(0.2)	—	(0.2)	(0.1)	(0.3)
Defined benefit pension plan surplus not recognised	27	—	(0.3)	—	(0.3)	(0.1)	(0.4)
Tax relating to components of other comprehensive loss/(gain)		—	0.1	—	0.1	—	0.1
Total comprehensive expenditure......................		**—**	**(0.9)**	**—**	**(0.9)**	**(0.4)**	**(1.3)**
Transactions with owners							
Other movements in NCI.......		—	(0.3)	0.5	0.2	(0.2)	—
Additions to existing NCI......		—	0.1	—	0.1	0.1	0.2
Disposals of existing NCI......		—	(0.1)	—	(0.1)	(0.1)	(0.2)
Balance at 30 September 2016		**16.4**	**3.6**	**0.5**	**20.5**	**7.2**	**27.7**
Loss for the year		—	(19.8)	—	(19.8)	(4.3)	(24.1)
Equity reserve movement		—	0.5	(0.5)	—	—	
Actuarial (loss)/gain on defined benefit plans..........	27	—	0.1	—	0.1	—	0.1
Defined benefit pension plan surplus not recognised	27	—	(0.1)	—	(0.1)	—	(0.1)
Total comprehensive expenditure......................		**—**	**(19.3)**	**(0.5)**	**(19.8)**	**(4.3)**	**(24.1)**
Transactions with owners							
Other movements in NCI.......		—	1.3	—	1.3	(1.3)	—
Disposals of existing NCI......		—	(0.1)	—	(0.1)	—	(0.1)
Balance at 30 September 2017		**16.4**	**(14.5)**	**—**	**1.9**	**1.6**	**3.5**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Company Statement of Changes in Equity
for the year ended 30 September 2017

	Note	Share capital	Retained earnings	Total equity
		£m	£m	£m
Balance at 1 October 2015		**16.4**	**(4.8)**	**11.6**
Profit for the year		—	0.1	0.1
Total comprehensive income for the year		**—**	**0.1**	**0.1**
Balance at 30 September 2016		**16.4**	**(4.7)**	**11.7**
Loss for the year		—	(0.3)	(0.3)
Total comprehensive expenditure for the year		**—**	**(0.3)**	**(0.3)**
Balance at 30 September 2017		**16.4**	**(5.0)**	**11.4**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Consolidated Statement of Cash Flows
For the year ended 30 September 2017

	Note	2017	2016
		£m	£m
Cash flows from operating activities			
Cash receipts from customers		428.1	278.8
Cash paid to suppliers and employees		(418.0)	(271.5)
Cash generated from operations		10.1	7.3
Interest received		0.1	—
Interest paid		(13.4)	(8.4)
Income taxes paid		(1.6)	(0.5)
Net cash outflow from operating activities		**(4.8)**	**(1.6)**
Cash flows from investing activities			
Purchase of property, plant, equipment		(10.3)	(8.3)
Purchase of intangibles		(0.6)	(0.5)
Proceeds from the sale of equipment		0.8	—
Payment of deferred consideration		(0.2)	—
Equity investment in associate		(10.6)	—
Loan to associate		(4.9)	—
Acquisition of trade and assets/subsidiaries, net of cash acquired		(35.3)	(0.8)
Net cash outflow from investing activities		**(61.1)**	**(9.6)**
Cash flows from financing activities			
Proceeds from loans and borrowings		201.3	—
Finance costs		(10.4)	(0.1)
Repurchase of non-controlling interest shares in subsidiary		(0.1)	(0.1)
Cash flows from non-controlling interest		0.1	0.1
Capital element of finance leases repaid		(5.8)	(2.6)
Long term liabilities repaid		(122.0)	—
Net cash inflow from financing activities		**63.1**	**(2.7)**
Net decrease in cash and cash equivalents		(2.8)	(13.9)
Cash and cash equivalents at 1 January		2.1	16.0
Net cash and cash equivalents at period end	25	**(0.7)**	**2.1**

The notes on pages 18 to 50 form part of these financial statements.

Servest Limited
Notes to the Financial Statements
For the year ended 30 September 2017

1. Accounting policies

Basis of preparation

Servest Limited is a private limited company limited by shares that is incorporated and domiciled in the United Kingdom. The address of the registered office is Servest House, Heath Farm Business Centre, Tut Hill, Fornham All Saints, Bury St. Edmunds, Suffolk, IP28 6LG. The registered number of the Company is 03786009. The consolidated financial statements of Servest Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006. The consolidated financial statements have been prepared on the going concern basis under the historical cost convention except for the following items:

- Contingent consideration
- Net defined benefit pension scheme asset
- Forward contract liabilities

The consolidated financial statements include the results of all subsidiaries of Servest Limited as listed on page 34 and 35.

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.

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

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

Items within non-underlying include intangible amortisation, asset impairments, contingent consideration movements, acquisition expenses and specific non-recurring items in the income statement 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 kept constantly under review by the Board of Directors.

Standards and interpretations adopted by the Group in the year ended 30 September 2017

There were no new standards, interpretations and amendments effective for the first time for periods beginning on or after 1 October 2016 that had a significant effect on the Group's financial statements.

Standards and interpretations not yet effective

The following standards, amendments and interpretations were in issue, but were not yet effective at the balance sheet date. These standards have not been early adopted by the Group.

- IFRS 9 Financial Instruments

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leasing

Amendments to IFRS 9 are due to take effect for accounting periods commencing from 1 January 2018. The Directors do not anticipate that the adoption of IFRS 9, where relevant in future periods, will have a material impact on the Company's financial statements.

IFRS 15 is due to take effect for accounting periods commencing from 1 January 2018. This new revenue standard may lead to new treatments resulting from considerations of transfer of control, variable consideration, the time value of money, and allocation of transaction prices based on relative stand-alone selling prices. The Directors are currently assessing the impact of IFRS 15 and do not anticipate that it will have a material impact on either revenues or profit.

IFRS 16 is due to take effect for accounting periods commencing from 1 January 2019 and makes substantial changes to how lease arrangements are accounted for and will specifically result in many of the Group's lease arrangements coming on to the statement of financial position. The Directors are currently assessing the impact of IFRS 16 which is likely to have a significant impact upon both non-current assets and liabilities.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date that these financial statements are signed. For these reasons, they continue to adopt the going concern basis in preparing the Group's financial statements.

Basis of consolidation

(i) *Subsidiaries*

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

(ii) *Goodwill*

Goodwill on acquisitions comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages the fair value of the existing equity interest in the acquiree. 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.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Profit or Loss on the acquisition date.

(iii) *Business combinations*

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

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

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

If the initial accounting is incomplete at the reporting date, provision 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.

(iv) *Transactions eliminated on consolidation*

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

Property, plant and equipment

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

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

• Freehold land and buildings	50 years
• Short-term leasehold property	Over the period of the lease
• Plant and machinery	2–5 years
• Motor vehicles	4–5 years
• 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.

Intangible assets

Intangible assets other than goodwill 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:

• Development costs	10 years
• Customer base and reputation	10 years
• Order backlog	1–3 years
• Trade name	5 years
• Regional licences	20 years

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

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.

For goodwill, the recoverable amount is estimated 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.

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss.

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

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument.

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.

Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Cash and cash equivalents

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

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

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.

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 other 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.

Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability of component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

This conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instruments as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible obligation, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instrument are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Inventories

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

Investments

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

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjust to the prevailing market rate.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the costs of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

Revenue

Revenue is recognised by the Group, exclusive of value added tax and trade discounts.

(i) *Facilities Management, Cleaning, Catering, Energy and Pest*

Revenue relates to goods and services supplied during the year and is recognised in the month that service is delivered. Revenue in respect of reimbursement of contract start-up costs is matched to those costs.

(ii) *Security*

Revenue relates to guarding services and support services such as installations of Access Control Systems or hired CCTV and biometric equipment. Revenue from guarding is recognised in the month that the service is delivered. Revenue from installations of Access Control Systems is recognised on the completion of the installation and revenue from hired CCTV and biometric equipment is recognised at the commencement of each non-cancellable rental period.

(iii) *Building Services*

Revenue relates to maintenance services provided, including those works undertaken but not yet invoiced as at the period end. Revenue is recognised in the month that the service is delivered. Profit is recognised on long term contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account revenue and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

(iv) *Mobilisation costs*

For large or complex contracts, mobilisation costs incurred during the initial stages of the contract are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract on a straight-line basis. If the contract become loss making, any unamortised costs are written off immediately. Unvoiced amounts at the year-end are included in debtors as accrued income.

(v) *Contract accounting*

Revenue from construction contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to the proportion of works which have been completed relative to agreed contract conditions. Where the contract outcomes cannot be measured reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as property, plant and equipment. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Common control transactions

Disposals of subsidiaries to other subsidiaries within the group are classed as common control transactions. These disposals are completed at the fair value of the net assets of the subsidiary at the date of sale and are settled in cash. Any profit or loss on disposal is taken to the Income Statement when the transaction is complete.

Income tax and deferred taxation

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

- the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect either accounting profit or taxable income; or

- the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary different will not reverse in the foreseeable future.

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

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

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

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

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

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:

Defined benefit pension scheme

Refer to note 27 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Estimated useful life of intangibles, property, plant and equipment and impairment testing

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Group also tests for impairment 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 profit or loss in the Income Statement unless the fair value less cost of disposal of the related asset is higher than the carrying value.

Fair value accounting on acquisition

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions.

Contingent consideration

Contingent consideration is measured for fair value changes annually based on forecast results for the acquired entity. The fair value is calculated based on budgets and forecast trading performance with any changes being recognised in the statement of profit or loss.

Forward contract liabilities

The forward contract is measured by reference to the previous 12 months EBITDA and when the liability is due to be extinguished. The Group uses judgement to determine which method to use to calculate the forward contract based on their knowledge of when the liability is most likely to be settled.

Non-underlying items

'Non-underlying items' are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of other items or not requires judgement. Other items before tax of £27.0m (2016: £0.8m) were charged to the income statement for the year ended 30 September 2017. An analysis of the amounts included in other items is detailed in note 8.

Recognition of intangible assets on acquisition

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

Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Construction contracts

The Company recognises contract revenue and expenses in the Income Statement by using the stage of completion method. The stage of completion is determined by reference to the proportion of works which have been completed relative to agreed contract conditions. Significant judgement is required in determining stage of completion, the extent of the contract conditions met, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In making the judgement, the Company evaluates based on past experience and by relying on the work of specialists.

3. Revenue

	2017	2016
	£m	£m
The Group's revenue comprises:		
Services rendered	422.0	247.7
Goods sold	34.8	36.3
	456.8	**284.0**

4. Operating profit

	2017	2016
	£m	£m
Group operating loss for the year is stated after the following:		
Staff costs (note 6)	284.3	197.6
Amortisation of intangible assets	9.5	3.1
Amortisation of development expenditure	0.5	0.1
Depreciation of tangible fixed assets:		
—owned by the group	9.6	4.6
—held under finance leases	0.1	2.3
Profit on disposals of property, plant and equipment	(0.1)	—
Operating lease rentals:		
—plant and machinery	0.8	0.8
—other operating leases	1.8	0.8
Goodwill and intangible asset impairment charge	3.9	0.9
Subcontractor costs	37.6	15.8
Consumables	88.9	29.8

5. Auditor's remuneration

	2017	2016
	£m	£m
Fees payable to the Group's auditor for the audit of the company's financial statements	—	—
Fees payable to the Group's auditor in respect of non-audit services:		
—preparation of the financial statements	—	—
—the auditing of accounts of subsidiaries of the company pursuant to legislation	0.3	0.2
—other services relating to taxation	0.1	—
—all other non-audit services not included above	0.1	—
	0.5	**0.2**

6. Staff costs

	2017	2016
	£m	£m
Wages and salaries	265.4	186.2
Social security costs	15.9	10.3
Pension costs—defined contribution schemes	2.7	1.0
Pension costs—defined benefit schemes	0.3	0.1
	284.3	**197.6**

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

	2017	2016
Operational staff	19,946	21,085
Administration and management	2,389	462
Directors	4	4
	22,339	**21,551**

7. Director's remuneration

	2017	2016
	£m	£m
Remuneration	0.4	0.7
	0.4	**0.7**

During the year retirement benefits were accruing to 1 Directors (2016: 1) in respect of defined contribution pension schemes.

Highest paid Director

The highest paid director received remuneration of £232,000 (2016: £184,000). The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2016: £11,000)

The highest paid director has not exercised any share options nor are they entitled to receive any shares under long term incentive schemes.

8. Non-underlying items

	2017	2016
	£m	£m
Acquisition costs	2.0	—
Redundancy and other costs	1.5	0.9
Goodwill and intangible asset impairment charge	3.9	0.9
Reversal of contingent consideration	(0.2)	(1.0)
	7.2	**0.8**
Amortisation of acquired intangibles	9.5	—
Administrative expenses	**16.7**	**0.8**

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

Contingent consideration movements: in accordance with IFRS 3, movements in the fair value of contingent consideration on acquisitions go through the Group income statement. These are reported separately because performance of the acquired businesses is assessed through the underlying operational results and such a charge/credit movement would distort underlying results.

Impairment of goodwill: the Group carries on its balance sheet significant balances related to acquired goodwill. Goodwill is subject to annual impairment testing, and any impairment charges are reported separately as they distort the in-year trading results and because performance of the acquired businesses is assessed through the underlying operational results.

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

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

	2017	2016
	£m	**£m**
Forward contract expense	4.9	—
Amortised debt costs	5.4	—
Finance costs	**10.3**	**—**

Forward contract liability: the Group entered into a one-off cost relating to refinancing during the year. As this is a one-off cost of financing, it would not be appropriate to include within the underlying results of the Group.

Amortised debt costs: as part of raising finance, certain costs related to the financing are capitalised and spread over the length of the loan. Amounts that are repaid early due to refinancing do not represent the true underlying finance cost due to the acceleration of payment and are therefore presented as non-underlying.

9. Finance costs

	2017	2016
	£m	**£m**
Interest on bank loans and overdrafts	15.0	7.8
Loan note and other interest	4.9	—
Interest on finance leases and hire purchase contracts	0.3	0.3
Amortised debt costs	6.7	0.6
	26.9	**8.7**

10. Other finance income

	2017	2016
	£m	**£m**
Expected return on pension scheme assets	—	0.1
Interest on long term receivables	0.1	—
	0.1	**0.1**

11. Taxation

	2017	2016
	£m	**£m**
Current tax		
Current tax on losses for the year	0.1	0.7
Adjustments in respect of prior years	0.3	(0.6)
Total current tax	**0.4**	**0.1**
Deferred tax		
Origination and reversal of temporary differences	(2.9)	(1.1)
Adjustments in respect of prior years	0.3	0.4
Total deferred tax (note 23)	**(2.6)**	**(0.7)**
Total taxation credit	**(2.2)**	**(0.6)**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	2017	2016
	£m	**£m**
Loss before tax	(26.3)	(1.3)
Loss multiplied by the rate of corporation tax of 19.5% (2016: 20%)	(5.1)	(0.3)
Effects of:		
Expenses not deductible for tax purposes	1.1	0.3
Deferred tax effect of change in taxation rates	—	(0.1)
Non-taxable income	—	(0.2)
Adjustments to tax charge in respect of prior periods	0.5	(0.2)
Other differences	(0.2)	0.1
Unrecognised tax losses utilised	—	(0.1)
Pension liability reversed	—	0.1
Tax deductible expenses on pension scheme contributions	—	(0.2)
Deferred tax asset not recognised	1.0	—
Share of losses from associate not deducted for tax purposes	0.5	—
Total taxation credit	**(2.2)**	**(0.6)**

At 30 September 2017, the Group had taxable losses of approximately £0.3m (2016: £0.2m) available for offset against future taxable profits. No deferred tax asset has been recognised on tax losses of £4.9m in the year relating to finance costs for which the future utilisation of these loses is not considered probable.

The applicable tax rate for the current year is 19.5% (2016: 20%) following the reduction of the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017.

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

This will reduce the Group’s future current tax charge accordingly and reduce the deferred tax asset at 30 September 2017 (which has been calculated based on the expected long-term rate of 17% substantively enacted at the balance sheet date).

12. Other intangible assets

Group	Development costs	Customer base and reputation	Order backlog	Trade name	Regional licenses	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 October 2015	1.1	30.3	—	—	0.5	31.9
Additions	0.5	—	—	—	—	0.5
Additions on acquisition	—	0.3	—	—	—	0.3
At 30 September 2016	**1.6**	**30.6**	**—**	**—**	**0.5**	**32.7**
Additions	0.6	—	—	—	—	0.6
Additions on acquisition	—	5.0	7.5	3.3	—	15.8
Disposals	(0.3)	—	—	—	—	(0.3)
Transfers	0.3	—	—	—	—	0.3
At 30 September 2017	**2.2**	**35.6**	**7.5**	**3.3**	**0.5**	**49.1**
Accumulated amortisation						
At 1 October 2015	0.1	9.9	—	—	0.2	10.2
Charge for the year	0.1	3.1	—	—	—	3.2
Impairment losses	—	0.7	—	—	—	0.7
At 30 September 2016	**0.2**	**13.7**	**—**	**—**	**0.2**	**14.1**
Charge for the year	0.5	5.1	3.8	0.6	—	10.0
Disposals	(0.3)	—	—	—	—	(0.3)
At 30 September 2017	**0.4**	**18.8**	**3.8**	**0.6**	**0.2**	**23.8**
Net book amount						
At 30 September 2016	1.4	16.9	—	—	0.3	18.6
At 30 September 2017	**1.8**	**16.8**	**3.7**	**2.7**	**0.3**	**25.3**

The average remaining amortisation periods at 30 September 2017 is:

Development costs	8 years
Customer base and reputation	6 years
Order backlog	1 year
Trade name	4 years
Regional licenses	9 years

13. Goodwill

	Goodwill
	£m
Group	
Cost	
At 1 October 2015	46.7
Recognised on acquisition of subsidiaries	1.0
Impairment losses	(0.2)
At 30 September 2016	**47.5**
Recognised on acquisition of subsidiaries	35.9
Impairment losses	(3.9)
At 30 September 2017	**79.5**

The Group has £4.1m accumulated impairment losses in existence (2016: £0.2m).

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

The goodwill associated with the Group's Cleaning operation is £11.6m, the Security operation is £4.5m, the Catering operation is £29.3m, the Building Services operation is £30.4m, the Energy operation is

£1.4m and the Pest operation £2.3m. 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 market place.

Other major assumptions are as follows:

	Cleaning	**Security**	**Catering**	**Building Services**	**Pest**	**Energy**
2017						
Discount rate %	11.9	11.9	11.9	11.9	11.9	11.9
1 to 5 year growth rate %	5	5	5	5	5	5
Long-term growth rate %	2	2	2	2	2	2
2016						
Discount rate %	10.0	10.0	10.0	10.0	10.0	10.0
1 to 5 year growth rate %	5	5	5	5	5	5
Long-term growth rate %	2	2	2	2	2	2

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

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

For the year ended 30 September 2017, the Security CGU went through a number of transitions due to a change in business model and change in management. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of £3.9m. The post-tax discount rate used to measure the CGU's value in use was 11.9%.

With the exception of the Security CGU which has been impaired down to its value in use, if the 1 to 5 year growth rates were to reduce to 2% or the discount rate were to increase to 12.87%, there would still be no indication of impairment.

14. Property, plant and equipment

Group	Freehold land and buildings	Short-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 October 2015	—	0.8	15.7	5.7	6.1	28.3
Additions at cost	—	0.1	4.9	1.6	2.8	9.4
Disposals	—	—	(0.6)	(0.2)	—	(0.8)
At 30 September 2016	**—**	**0.9**	**20.0**	**7.1**	**8.9**	**36.9**
Additions at cost	0.2	0.1	5.4	1.6	3.0	10.3
Additions on acquisition	3.3	0.7	0.6	0.1	—	4.7
Disposals	—	—	(5.7)	(0.5)	(1.2)	(7.4)
Transfers	—	—	—	—	(0.3)	(0.3)
At 30 September 2017	**3.5**	**1.7**	**20.3**	**8.3**	**10.4**	**44.2**
Accumulated Depreciation						
At 1 October 2015	—	0.3	5.6	1.5	2.4	9.8
Charges for the year	—	0.2	3.9	1.1	1.7	6.9
Disposals	—	—	(0.6)	(0.1)	—	(0.7)
At 30 September 2016	**—**	**0.5**	**8.9**	**2.5**	**4.1**	**16.0**
Charges for the year	0.1	0.3	5.1	1.6	2.6	9.7
Disposals	—	—	(5.1)	(0.4)	(1.2)	(6.7)
At 30 September 2017	**0.1**	**0.8**	**8.9**	**3.7**	**5.5**	**19.0**
Net book amount						
At 30 September 2016	—	0.4	11.1	4.6	4.8	20.9
At 30 September 2017	**3.4**	**0.9**	**11.4**	**4.6**	**4.9**	**25.2**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017	2016
	£m	£m
Plant and machinery	0.2	2.9
Motor vehicles	0.1	4.0
Furniture, fittings and equipment	—	0.2
Software	—	0.1
	0.3	**7.2**

15. Investments

The following entity has been included in the consolidated financial statements using the equity method and in the single entity financial statements at cost:

Group Name	Country of incorporation Principal place of business	Currency	Proportion of ownership interest held as at 30 September 2017	2016
Bottega Investco S.À R.L	The Netherlands	Euro	28%	—

The primary business of Bottega Investco S.À R.L is that of a holding company for a group of companies that provides IT services globally. The investment will give the Group access to additional service lines across new geographical areas in line with the strategy of the Group. Since the Group's acquisition of the minority stake, Bottega Investco S.À R.L has incurred large amounts of restructuring costs related to the new ownership structure. These are one-off in nature and are not expected to continue in future years.

Summarised financial information

	2017	2016
	£m	£m
Bottega Investco S.À R.L		
As at 30 September		
Current assets	153.3	—
Non-current assets	169.2	—
Current liabilities	148.5	—
Non-current liabilities	151.3	—
Period ended 30 September		
Revenues	85.9	—
Profit from continuing operations	(9.5)	—
Total comprehensive income	(9.5)	—

Bottega Investco S.À R.L draw up their annual accounts to December each year. Due to the incorporation of the entity during the year ended 30 September 2017, there is no information available regarding the capital and reserves and profit or loss for the year of the associate at the reporting date. There is a restriction in place relating to the distribution of dividends to investors governed by an equity warrant in place. A put/call option over the shares exists involving the other investors. For further details on contractual relationships with other investors please see note 28.

Company	Investments in associates	Investments in subsidiary companies	Total
	£m	£m	£m
Cost			
At 1 October 2015	—	12.0	12.0
At 30 September 2016	**—**	**12.0**	**12.0**
Additions	10.6	54.4	65.0
Disposals	—	(54.4)	(54.4)
At 30 September 2017	**10.6**	**12.0**	**22.6**

15. Investments

During the year Servest Limited acquired Arthur McKay & Co Limited and Catering Academy Limited which were subsequently transferred down the group to Servest Group Limited and Servest Food Co Limited respectively and remain included in the consolidated Group figures. Arthur McKay & Co Limited is a company registered in Scotland. As a result of the refinancing, the agents of the lenders hold a share pledge giving legal title to the shares in Arthur McKay & Co Limited. However, beneficial title to those shares remains with Servest Group Limited and they are able to exercise control (as defined in IFRS 10) over Arthur McKay & Co Limited.

There are certain restrictions arising from borrowings at Servest Group Limited that restrict the level of cash and assets that can be transferred out of Servest Group Limited and its sub-consolidated group to specific permitted distributions. These restrictions apply to the consolidated net assets of Servest Group Limited, totalling circa £5.4m (2016: £28.0m).

There have been some share movements within Servest Group Limited which has resulted in the proportion of ownership in this company increasing from 73.62% as at 30 September 2016 to 73.64% at 30 September 2017. The voting rights of the NCI is 24.92% as there are management shares held at Servest Group Holdings Limited level that have no voting rights.

The principal subsidiaries of Servest Limited, all of which have been included in these consolidated financial statements are:

Name	Registered address	Class of shares held ownership	Proportion of interest	Principal activities
Subsidiary undertakings				
Servest Group Holdings Limited	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Dormant holding company
Servest Group Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Holding company, facilities management and group administration
Servest Security Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Security services
Servest (Commercial and Public Sector) Limited	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Dormant company
Servest Food Co Limited (formerly Servest Catering Limited)*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Catering services
Catering Academy Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Catering services
Servest Building Services Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Maintenance services
Servest Facilities Services Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Dormant company
Servest Arthur McKay Limited (formerly Arthur McKay & Co Limited)*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	73.64%	Maintenance services
Arthur McKay (Support Services) Limited*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	73.64%	Dormant company
Arthur McKay (UK) Limited*	42 Dryden Road Loanhead Midlothian, EH20 9LZ	Ordinary	73.64%	Dormant company

Servest Pest Patrol Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Pest control services
Pro-Check Environmental Services Northern Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Pest control services
Llewellyn Smith Holdings Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Dormant holding company
Llewellyn Smith Surveyors Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Dormant company
Llewellyn Smith Limited*	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	73.64%	Energy services
Joint ventures				
Atalian Servest Limited(*)(**)	Servest House Bury St. Edmunds Suffolk, IP28 6LG	Ordinary	36.81%	Provision of integrated FM solutions on a Pan European basis
Associates				
Bottega Investco S.À R.L	9 Allée Scheffer Luxembourg City Luxembourg	Ordinary	28.80%	Holding company

* denotes indirect holdings

** Servest Group Limited holds a 50% shareholding in Atalian Servest Limited which has not commenced trading. The carrying value of the investment is £50 (2016: £50).

16. Inventories

Group	2017	2016
	£m	£m
Consumables	6.5	5.1
Work in progress	4.2	—
	10.7	**5.1**

The total cost of consumables expensed in the year and included within cost of sales is £88.9m (£29.8m).

17. Trade receivables

Group	2017	2016
	£m	£m
Trade receivables	61.5	32.2
Provision for doubtful debts	(0.7)	(1.1)
	60.8	**31.1**

Company	2017	2016
	£m	£m
Trade receivables	0.1	—

18. Other receivables

Group	2017	2016
	£m	£m
Other receivables	8.6	2.1
Prepayments	4.7	2.9
Accrued income	9.3	17.1
	22.6	**22.1**

Company	2017	2016
	£m	£m
Amounts owed by group undertakings	0.3	—
	0.3	**—**

19. Long term receivables

Group	2017	2016
	£m	£m
Other receivables	5.0	—

Company	2017	2016
	£m	£m
Other receivables	5.0	—

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

20. Trade and other payables

Group	2017	2016
	£m	£m
Current		
Trade payables	22.9	12.3
Other payables	22.3	12.8
Accruals and deferred income	32.8	13.8
Contingent consideration	1.4	0.4
Amounts owed to group undertakings	0.2	—
	79.6	**39.3**

Company	2017	2016
	£m	£m
Current		
Amounts owed to group undertakings	0.2	—
	0.2	**—**

Group	2017	2016
	£m	£m
Non-current		
Forward contract	4.9	—

21. Borrowings

Group	2017	2016
	£m	£m
Non-current		
Bank loan	128.5	69.3
Other loans	1.0	1.0
Other loans owed to shareholders	0.1	0.4
	129.6	70.7
Current		
Bank loan	16.3	—
Overdraft	9.5	—
	25.8	—
Total borrowings	**155.4**	**70.7**

The non-current bank loan is secured via a debenture package and charge over all assets of the Company and its subsidiaries, which form the UK Group. The loan is repayable in two bullet payments at the end of the term in May 2021 and May 2023. The first lien of the loan bears interest at 6.5% + LIBOR and the second lien bears interest at 14%.

Non-current other loans are repayable in May 2021. This loan bears interest at a fixed rate of 8%.

Current bank loans are repayable in Dec 2017. This loan bears interest at a fixed rate of 10% to 31 October 2017 and 20% from 1 November 2017. The loan is secured with a first ranking pledge of the shares in Bottega Investco S.À R.L.

Company	2017	2016
	£m	£m
Non-current		
Other loans owed to shareholders	0.1	0.4
	0.1	0.4
Current		
Bank loan	16.3	—
	16.3	—
Total borrowings	**16.4**	**0.4**

The other loans owed to shareholders are not repayable before 31 October 2018.The loans bear interest at 5.0% above the HSBC Bank plc base rate p.a. (2016: 5.0% above HSBC Bank plc base rate p.a.).

The bank loan is denominated in Euros and is repayable on 31 December 2017. Interest accrues monthly at 10% p/a + EURIBOR. The loan is secured with a first ranking pledge of the shares in Bottega Investco S.À R.L. In addition, there is a security agreement in place over all the assets of the Company.

22. Finance lease liabilities

Group	2017	2016
	£m	£m
Gross finance lease liabilities—minimum lease payments		
Not later than 1 year	0.2	2.8
Later than 1 year and no later than 5 years	0.1	3.5
	0.3	6.3
Future finance charges on finance leases	—	(0.3)
Present value of finance lease liabilities	**0.3**	**6.0**

The present value of finance lease liabilities is analysed as follows:

	2017	2016
	£m	£m
Not later than 1 year	0.2	2.6
Later than 1 year and no later than 5 years	0.1	3.4
	0.3	**6.0**

Finance leases and hire purchases are secured over plant and equipment as disclosed in note 14. These assets will revert back to the lessor in event of a default. There were no contingent rents.

23. Deferred tax

Group	2017	2016
	£m	£m
Deferred tax liabilities	(4.0)	(3.9)

	2017	2016
	£m	£m
Deferred tax liabilities comprise:		
Fixed asset timing differences	—	(0.3)
Deferred tax liability on intangibles acquired on business combination	(4.0)	(3.6)
At 30 September	**(4.0)**	**(3.9)**

The provision for deferred tax is made up as follows:

	Customer lists /intangibles	Fixed asset and other timing differences	Defined benefit pension scheme surplus	Total
	£m	£m	£m	£m
Deferred tax assets & liabilities				
At 1 October 2015	(4.1)	(0.3)	(0.1)	(4.5)
Recognised in the income statement	0.6	—	—	0.6
Recognised in the statement of other comprehensive income	—	—	0.1	0.1
Acquisition of subsidiaries (note 26)	(0.1)	—	—	(0.1)
At 30 September 2016	**(3.6)**	**(0.3)**	**—**	**(3.9)**
Recognised in the income statement	2.3	0.3	—	2.6
Acquisition of subsidiaries (note 26)	(2.7)	—	—	(2.7)
At 30 September 2017	**(4.0)**	**—**	**—**	**(4.0)**

24. Share capital

	2017	2016
	£m	£m
Allotted, called up and fully paid		
13,121,602 A Ordinary shares of £1 each	13.2	13.2
3,240,137 B Ordinary shares of £1 each	3.2	3.2
	16.4	**16.4**

Holders of the B Ordinary shares do not have the right to receive notice of or to attend or vote at any General Meeting of the Company, nor are they entitled to receive any distribution of profits or dividend. Upon winding up or on any reduction in capital which a repayment of capital is made, the aggregate return relating to all of the B Ordinary shares shall be limited to £1 and upon any transfer of B Ordinary share, the aggregate purchase monies to be attributed to all of the B Ordinary shares shall be limited to £1.

The A Ordinary shares and B Ordinary shares rank pari passu in all other respects.

25. Cash and cash equivalents

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

Group	2017	2016
	£m	£m
Cash in hand	1.2	0.9
Balances with banks	7.6	1.2
Cash and cash equivalents	**8.8**	**2.1**
Bank overdrafts	(9.5)	—
Net cash	**(0.7)**	**2.1**

Company	2017	2016
	£m	£m
Balances with banks	—	0.1
Cash and cash equivalents	**—**	**0.1**

Significant non-cash transactions

During the year the Group acquired property, plant and equipment with a total cost of £10.3m (2016: £9.5m) of which £nil (2016: £1.2m) were acquired by means of finance leases. Finance leases and hire purchase are secured on the assets to which they relate.

During the year £6.7m (2016: £0.6m) was recognised in the statement of profit and loss for debt costs which are amortised over the duration for which the debt is held.

26. Business combinations

Current year acquisition

During the year ended 30 September 2017, the Group acquired 100% of the share capital of Catering Academy Limited, Arthur McKay & Co Limited and Pro-Check Environmental Services Northern Limited. The acquisition method of accounting was used for all business combinations.

The purpose of these acquisitions was to:

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

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

Details of the fair value of identifiable assets and liabilities for the acquisition of Catering Academy Limited, a contract catering company that operates primarily within the distribution, manufacturing, education and leisure sectors that took place on 24 October 2016, are as follows:

Acquisition of Catering Academy Limited	**Book value**	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Trade and other receivables	3.9	—	3.9
Property, plant & equipment	0.5	—	0.5
Inventories	0.7	—	0.7
Cash and cash equivalents	1.7	—	1.7
Order backlog	—	1.9	1.9
Customer relationships	—	0.5	0.5
Deferred tax on other intangibles	—	(0.4)	(0.4)
Trade and other payables	(6.5)	—	(6.5)
Net assets acquired	**0.3**	**2.0**	**2.3**

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

	£m
Cash	13.5
Contingent cash consideration	1.4
Net assets acquired	(2.3)
Goodwill (see note 13)	**12.6**

The contingent cash consideration is payable based on the post-acquisition gross profit earnt by the acquired business in the 12 month period to 30 September 2017. The contingent cash consideration ranges between £nil and £1.4m depending on the level of gross profit achieved in the 12 month period to 30 September 2017.

The business acquired contributed £34.9m to the Servest Limited group revenue in the year ended 30 September 2017. The effect on the net profit for the year since acquisition date to their first-time consolidation was £1.3m. Had this business combination been effective for the full year, the revenue and profit associated with it would have been £37.2m and £1.4m respectively.

Acquisition costs of £0.6m were recognised as an expense in non-underlying administrative expenses.

Details of the fair value of identifiable assets and liabilities for the acquisition of Arthur McKay & Co Limited, a mechanical and electrical engineering company based in Scotland that took place on 18 October 2016, are as follows:

Acquisition of Arthur McKay & Co Limited	**Book value**	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Trade and other receivables	9.5	—	9.5
Property, plant & equipment	4.2	0.4	4.6
Inventories	19.9	—	19.9
Cash and cash equivalents	17.7	—	17.7
Order backlog	—	5.6	5.6
Customer relationships	—	4.5	4.5
Trade name	—	3.3	3.3
Deferred tax on other intangibles	—	(2.3)	(2.3)
Trade and other payables	(46.2)	—	(46.2)
Net assets acquired	**5.1**	**11.5**	**16.6**

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

	£m
Cash	39.6
Net assets acquired	(16.6)
Goodwill (see note 13)	**23.0**

The business acquired contributed £139.1m to the Servest Limited group revenue in the year ended 30 September 2017. The effect on the net profit for the year since acquisition date to their first-time consolidation was £8.2m. Had this business combination been effective for the full year, the revenue and profit associated with it would have been £146.0m and £8.7m respectively.

Acquisition costs of £1.0m were recognised as an expense in non-underlying administrative expenses.

Details of the fair value of identifiable assets and liabilities for the acquisition of Pro-Check Environmental Services Northern Limited are as follows:

Acquisition of Pro-Check Environmental Services Northern Limited	**Book value**	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Trade and other payables	(0.1)	—	(0.1)
Net liabilities acquired	**(0.1)**	**—**	**(0.1)**

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

	£m
Cash	0.2
Net liabilities acquired	0.1
Goodwill (see note 13)	**0.3**

The business acquired contributed £0.1m to the Servest Limited group revenue in the year ended 30 September 2017. The effect on the net profit for the year since acquisition date to their first-time consolidation was £0.1m. Had this business combination been effective for the full year, the revenue and profit associated with it would have been £0.1m and £0.1m respectively.

Acquisition costs of £38,000 were recognised as an expense in non-underlying administrative expenses.

27. Retirement benefit obligations

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

Defined contribution scheme

	2017	2016
	£m	£m
Amount recognised as an expense	2.7	1.0

Defined benefit scheme

The Group operates a final salary defined benefit pension scheme.

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

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

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

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

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

The Group has determined that, in accordance with the terms and conditions of the defined benefit plan, and with statutory requirements (including minimum funding requirements) for the plan, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no defined benefit asset was recognised at 30 September 2017. The Group expects to pay £269,000 in contributions to its defined benefit plan in 2018.

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

	2017	2016	2015	2014
	£m	£m	£m	£m
Balance sheet obligations				
—Fair value of assets at end of year	2.3	1.7	1.6	1.3
—Present value of obligations at end of year	(1.7)	(1.3)	(0.9)	(0.8)
—Asset ceiling not recognised	(0.6)	(0.4)	—	—
—**Asset/(deficit) at 30 September**	**—**	**—**	**0.7**	**0.5**
Defined pension benefits				
—Related deferred tax asset	—	—	(0.1)	(0.1)
Liability in the balance sheet	**—**	**—**	**0.6**	**0.4**
Income statement charge included in operating profit				
—For defined pension benefits	0.4	0.1	0.1	0.1
	0.4	**0.1**	**0.1**	**0.1**

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m
At 1 October	(1.3)	(0.9)	1.3	1.6	—	0.7
Service cost and interest						
Current service cost	(0.1)	(0.1)	—	—	(0.1)	(0.1)
Past service cost	(0.3)	—	—	—	(0.3)	—
Total defined benefit gain/(cost) recognised in profit or loss	(0.4)	(0.1)	—	—	(0.4)	(0.1)
Remeasurement loss						
Actuarial loss from:						
—Financial assumptions	0.1	(0.3)	—	—	0.1	(0.3)
—Adjustments (experience)	—	—	0.1	—	0.1	—
—Effect of asset ceiling	—	—	(0.1)	(0.4)	(0.1)	(0.4)
	0.1	(0.3)	—	(0.4)	0.1	(0.7)
Total defined benefit loss	**(0.3)**	**(0.4)**	**—**	**(0.4)**	**(0.3)**	**(0.8)**
Cashflows						
Employer contributions	—	—	0.3	0.1	0.3	0.1
Benefits paid	0.1	—	(0.1)	—	—	—
	0.1	**—**	**0.2**	**0.1**	**0.3**	**0.1**
At 30 September	**(1.5)**	**(1.3)**	**1.5**	**1.3**	**—**	**—**

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:

	2017	2016
	£m	£m
Equity instruments	0.9	0.8
Gilts	0.6	0.5
Corporate bonds	0.5	0.2
Property and other assets	0.3	0.2
	2.3	**1.7**

All equity securities and government bonds are quoted prices in active markets. All government and corporate bonds are issued by European governments and institutions and are AAA or AA rated. All other plan assets are not quoted in an active market.

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

	2017	2016	2015	2014
Discount rate	2.60%	2.40%	3.70%	4.00%
Future salary increases	3.40%	3.30%	3.10%	3.20%
Future pension increases	3.40%	3.30%	3.10%	3.20%
Proportion of employees opting for early retirement	3.40%	3.30%	3.10%	3.20%
Retail price index (RPI)	3.40%	3.30%	3.10%	3.20%
Longevity at retirement age (current pensioners)				
—Males	20.2	20.2	20.7	20.7
—Females	22.0	22.2	22.8	22.7
Longevity at retirement age (future pensioners)				
—Males	21.3	21.5	22.1	22.2
—Females	23.2	23.6	24.2	24.2

Sensitivity analysis

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

Actuarial assumption	Reasonably possible change	2017
		£m
Discount rate	0.25%	0.1
Salary increases	0.25%	—
Inflation	0.25%	0.1
Future mortality rates	1 year	0.1

28. Financial instruments

Classes and fair value of financial instruments

	2017 £m	2016 £m
Financial assets at amortised cost		
Assets as per the balance sheet		
Trade receivables (note 17)	60.8	31.1
Other receivables	8.6	1.5
Long term receivables	5.0	
Accrued income	9.3	17.1
Cash and cash equivalents (note 25)	8.8	2.1
Total	**92.5**	**51.8**

All of the above items are treated as loans and receivables at amortised cost.

	2017 £m	2016 £m
Financial liabilities at amortised cost		
Liabilities as per the balance sheet		
Trade payables (note 20)	22.9	12.3
Other payables	3.7	3.9
Accruals	32.9	12.3
Current borrowings	25.8	—
Non-current borrowings	136.1	73.4
Finance lease liability	0.3	6.0
Total	**221.7**	**107.9**

All of the above financial liabilities are treated as held at amortised cost.

	2017 £m	2016 £m
Financial liabilities at fair value through profit or loss		
Liabilities as per the balance sheet		
Contingent consideration	1.4	0.4
Forward contract	4.9	—
	6.3	**0.4**

The contingent consideration is a financial liability held at fair value. The fair value is determined by the application of level 3 as it is not linked to quoted prices or observable market data. The value of contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The opening contingent consideration was £0.4m, £0.2m has been paid during the year and £0.2m was released to the income statement as the fair value was determined to be nil. The closing balance of £1.4m this year relates to contingent consideration in relation to acquisitions completed during the year.

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

The forward contract is a derivative financial liability held at fair value through profit or loss. The fair value is determined by level 2 as it is linked to observable inputs. The value of the forward contract is dependent on the last twelve months EBITDA, net debt of the group and ‘synthetic equity’ of the group which is defined in the forward contract agreement. The liability can be settled at any time by the Group and the other party has the option to obligate the Group to settle the liability from the second anniversary of award, being November 2018. The amount payable is affected by who chooses for the liability to be settled.

Within the shareholders agreement for the investment in Bottega Investco S.À R.L entered into in July 2017, 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 Servest Limited 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 30 September 2017, 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 as Level 1 or 2 (2016: Level 1 or 2) included at fair value other than those detailed above.

Financial risk management

The Group’s operations expose it to a number of financial risks, primarily credit risk and availability of capital to fund future growth. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

Credit risk

Concentrations of credit risk with respect to customers are closely monitored by the Directors, and although the Group has a low number of significant customers, there are also a large number of other customers in place which reduce the concentration risk to an acceptable level. The acquisitions in the year have also brought in a new customer database and has further diluted the customer concentration risk in place. 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 £7.6m (2016: £1.2m) with Bank of Scotland plc and HSBC plc.

The Group’s maximum exposure to credit risk is:

	2017	**2016**
	£m	**£m**
Financial assets		
Trade receivables	60.8	31.1
Other current assets	17.9	18.6
Long term receivables	5.0	—
Cash and cash equivalents	7.6	2.1

An analysis of trade receivables:

2017	Carrying amount	Neither impaired nor past due	Past due but not impaired	
			61–90 days	More than 90 days
	£m	£m	£m	£m
Trade receivables	60.8	54.3	1.6	4.9

2016	Carrying amount	Neither impaired nor past due	Past due but not impaired	
			61–90 days	More than 90 days
	£m	£m	£m	£m
Trade receivables	31.1	20.8	5.9	4.4

The Group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 40 days (2016: 40 days). It is the Group's policy to assess receivables for recoverability on an individual basis and to make provisions where it is considered necessary. In assessing recoverability, the Group takes into account any indicators of impairment up until the reporting date. The application of this policy therefore results in receivables not being provided for unless individual circumstances indicate that a debt is impaired.

From following the above policy, the Group made a provision against individual balances where there were doubts over the recoverability of the balances of £0.7m (2016: £1.1m). The movement in the provision has gone into bad debt expense which 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.

Interest rate risk

Interest rate exposure and sensitivity analysis:

2017	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
Financial assets						
Cash and cash equivalents.......................	7.6	—	0.1	0.1	(0.1)	(0.1)
Financial liabilities						
Finance leases	0.3	4.5	—	—	—	—
Borrowings—non-current	105.0	7.5	(1.1)	(0.9)	1.1	0.9
Borrowings—current..............................	25.8	9.9	(0.3)	(0.2)	0.3	0.2
			(1.3)	**(1.0)**	**1.3**	**1.0**

2016	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
Financial assets						
Cash and cash equivalents.......................	2.1	—	—	—	—	—
Financial liabilities						
Finance leases	6.0	4.5	(0.1)	(0.1)	0.1	0.1
			(0.1)	**(0.1)**	**0.1**	**0.1**

The long-term receivable and a portion of the non-current loan (2016: whole non-current loan) 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 at bank 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 and related hedges. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed. A sensitivity of 1% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. When applied to short-term interest rates this would represent three to four rate increases which is reasonably possible in the current environment with the bias coming from the reserve bank and confirmed by market expectations that interest rates in the UK are more than likely to move up than down in the coming period.

Liquidity risk

The Group maintains sufficient cash levels to enable it to meet its liabilities as they fall due. Management review cashflow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group has cash in hand of £1.2m at 30 September 2017. The average creditor payment period is 19 days (2016: 51 days).

Contractual maturity analysis for financial liabilities:

2017	**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**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities						
Trade and other payables	59.5	1.4	4.9	—	—	65.8
Albacore loan	—	—	—	30.0	105.0	135.0
Investec loan	—	25.8	—	—	—	25.8
Other loans	—	—	—	1.1	—	1.1
Finance lease liabilities	—	—	0.1	0.2	—	0.3
	59.5	**27.2**	**5.0**	**31.3**	**105.0**	**228.0**

2016	**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**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities						
Trade and other payables	30.5	8.9	—	—	—	39.4
Pension plan investment board loan	—	—	—	72.0	—	72.0
Other loans	—	—	—	1.4	—	1.4
Finance lease liabilities	0.2	0.5	1.9	3.4	—	6.0
	30.7	**9.4**	**1.9**	**76.8**	**—**	**118.8**

29. Operating lease commitments

Group	**Land and buildings 2017**	**Other 2017**	**Land and buildings 2016**	**Other 2016**
	£m	**£m**	**£m**	**£m**
Within 1 year	0.8	1.4	0.6	0.2
Later than 1 year and not later than 5 years	2.1	2.7	1.3	—
Later than 5 years	1.3	—	0.9	—
	4.2	**4.1**	**2.8**	**0.2**

Lease payments recognised in the profit/loss for the period amounted to £2.6m (2016: £1.6m).

The Group has a number of leased properties. The terms of property leases vary from site to site, although they all tend to be tenant repairing with rent reviews at least every 5 years and many have break clauses.

30. Related party transactions

Company

2017	Sales/ (purchases) of goods/services	Interest (payable) /receivable	Short term employee benefits	Amounts owed (to)/from related party
	£m	£m	£m	£m
The parent				
Servest Proprietary Limited	(0.1)*	—	—	(0.2)*
Subsidiaries				
Servest Group Limited	0.1^	—	—	—
Associates				
Bottega Investco S.À R.L	—	0.1	—	5.0
Minority shareholders				
Corvest 6 Proprietary Limited	—	—	—	(0.1)*
Key management personnel				
Key management remuneration	—	—	4.1<	—

30. Related party transactions

2016	Sales/ (purchases) of goods/services	Interest (payable) /receivable	Short term employee benefits	Amounts owed (to)/from related party
	£m	£m	£m	£m
The parent				
Servest Proprietary Limited	(0.1)*	—	—	(0.2)*
Subsidiaries				
Servest Group Limited	0.1^	—	—	—
Minority shareholders				
Corvest 6 Proprietary Limited...................................	—	—	—	(0.2)*
Key management personnel				
Key management remuneration.................................	—	—	3.0<	—

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

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

< Where indicated above, these amounts are related party transactions at group level only

Amounts owed to and by related parties, excluding the balances with Servest Proprietary Limited, Corvest 6 Proprietary Limited and Bottega Investco S.À R.L, are unsecured, interest-free, and have no fixed terms of repayment.

Amounts owed to Servest Proprietary Limited and Corvest 6 Proprietary Limited are shown within other loans owed to shareholders, in non-current borrowings.

Amounts owed by Bottega Investco S.À R.L are shown within long term receivables, in non-current assets.

Amounts owed by Servest Group Limited are shown within amounts owed to group undertakings included within trade and other payables.

During the year, the Company sold its investments in Servest Arthur McKay Limited to Servest Group Limited, a subsidiary, for £45.3m and Catering Academy Limited to Servest Food Co Limited, a subsidiary, for £17.1m

At the year-end there is an outstanding management share loan with P Morris, a director of the company of £29,000 (2016: £29,000).

31. Capital management

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

- The Group treasury function maintains a rolling 3-month cashflow forecasts which are circulated to the senior board on a regular basis.
- The Group and the divisions within the Group prepare detailed profit, balance sheet and cashflow forecasts to September 2017 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 21, cash per note 25 and equity per the consolidated statement of changes in equity.

The Group's capital structure is reviewed regularly. The Group is not subject to externally imposed regulatory capital requirements.

32. Ultimate parent undertaking and controlling party

The ultimate parent company and the head of the largest group for which consolidated accounts are drawn up is Servest Group Proprietary Limited, a company incorporated in South Africa.

In the opinion of the Directors there is no ultimate controlling party.

33. Reserves

Retained earnings

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

Share capital

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

Equity reserve

On 30 July 2015, Servest Group Limited acquired 100% of the voting rights of Llewellyn Smith Holdings Limited and its subsidiaries. As part of the purchase consideration there was an obligation to settle £0.5m of the consideration either through cash or the issue of 1,545,485 Ordinary shares in Servest Group Holdings Limited. The proportion of consideration to be settled in cash or shares is based upon post-acquisition earnt out EBITDA. Upon initial recognition, the consideration was accounted for as a compound instrument based on the assessment and fair value at the date of acquisition which resulted in the obligation being expected to be extinguished entirely via the issue of shares. As such, this was recognised within equity under the separate heading of 'equity reserve' for the year ended 30 September 2016. However, the EBITDA earn out was not achieved within the set time frame and the equity reserve has been released to the profit and loss for the year ended 30 September 2017.

Non-controlling interest

Non-controlling interest comprises the portion of ownership attributable to the management shareholders of the company.

Servest Limited
Financial statements
Year Ended
30 September 2016
Company Number 03786009

Servest Limited
Consolidated statement of profit or loss
for the year ended 30 September 2016

	Note	Business performance	Exceptional items and acquisition costs	Total 2016	Business performance	Exceptional items and acquisition costs	Total 2015
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Continuing operations							
Revenue	3	**284,047**	**—**	**284,047**	239,512	—	239,512
Cost of sales		**(233,864)**	**—**	**(233,864)**	(195,268)	—	(195,268)
Gross profit		**50,183**	**—**	**50,183**	44,244	—	44,244
Administrative expenses	7	**(42,021)**	**(833)**	**(42,854)**	(35,679)	1,796	(33,883)
Operating profit	4	**8,162**	**(833)**	**7,329**	8,565	1,796	10,361
Finance income		**38**	**—**	**38**	22	—	22
Finance costs	8	**(8,657)**	**—**	**(8,657)**	(7,676)	—	(7,676)
(Loss)/Profit before tax		**(457)**	**(833)**	**(1,290)**	911	1,796	2,707
Tax income	9			**557**			763
(Loss)/Profit for the year				**(733)**			3,470
Attributable to:							
Equity holders of the parent				**(540)**			2,616
Non-controlling interest				**(193)**			854
				(733)			3,470

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Consolidated statement of other comprehensive income
for the year ended 30 September 2016

	Note	2016	2015
		£'000	£'000
(Loss)/ Profit for the year		**(733)**	3,470
Other comprehensive (loss)/gain:			
Actuarial (loss)/gain on defined benefit plans	22	**(301)**	116
Defined benefit pension plan surplus not recognised	22	**(421)**	—
Tax relating to components of other comprehensive loss/gain		**139**	(26)
Other comprehensive (loss)/gain for the year, net of tax		**(583)**	90
Total comprehensive income for the year		**(1,316)**	3,560
Total comprehensive income attributable to:			
Equity holders of the parent		**(969)**	2,682
Non-controlling interest		**(347)**	878
Total comprehensive income attributable to:		**(1,316)**	3,560

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Consolidated statement of financial position
at 30 September 2016

	Note	2016	2015
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	10	**21,023**	18,479
Goodwill	11	**47,518**	46,699
Other intangible assets	12	**18,529**	21,643
Defined benefit pension asset	22	**—**	696
Investments in equity-accounted joint ventures	13	**—**	—
		87,070	87,517
Current assets			
Inventories	14	**5,050**	4,376
Trade receivables	15	**31,089**	27,534
Other receivables	16	**22,127**	16,772
Income tax repayable		**223**	—
Cash and cash equivalents	25	**2,090**	15,950
		60,579	64,632
Liabilities			
Current liabilities			
Trade and other payables	18	**(39,289)**	(39,383)
Income tax payable		**—**	(128)
Finance leases	20	**(2,653)**	(2,477)
		(41,942)	(41,988)
Non-current liabilities			
Non-current other payables	18	**—**	(1,440)
Non-current borrowings	19	**(70,749)**	(70,201)
Deferred tax	21	**(3,800)**	(4,563)
Finance leases	20	**(3,352)**	(4,895)
		(77,901)	(81,099)
Net assets		**27,806**	29,062
Equity			
Share capital	23	**16,362**	16,362
Retained earnings		**3,597**	4,873
Equity reserve		**500**	—
Equity attributable to equity holders of the parent		**20,459**	21,235
Non-controlling interest		**7,347**	7,827
Total equity		**27,806**	29,062

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Company statement of financial position
at 30 September 2016

	Note	2016	2015
		£'000	£'000
Assets			
Non-current assets			
Investments in subsidiaries	13	**11,968**	11,968
		11,968	11,968
Current assets			
Trade receivables	15	**18**	—
Other receivables	16	**—**	20
Cash and cash equivalents	25	**102**	59
		120	79
Liabilities			
Current liabilities			
Trade and other payables	18	**(27)**	(19)
Income tax payable		**(2)**	—
		(29)	(19)
Non-current liabilities			
Non-current borrowings	19	**(444)**	(420)
		(444)	(420)
Net assets		**11,615**	11,608
Equity attributable to equity holders of the parent			
Share capital	23	**16,362**	16,362
Retained losses		**(4,747)**	(4,754)
Total equity		**11,615**	11,608

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Consolidated statement of changes in equity
For the year ended 30 September 2016

	Attributable to equity holders of the parent					
	Share capital	Retained earnings	Equity reserve	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2014	16,362	1,591	—	17,953	6,065	24,018
Profit for the year	—	2,616	—	2,616	854	3,470
Actuarial gain on defined benefit plan	—	66	—	66	24	90
Total comprehensive income for the year	—	2,682	—	2,682	878	3,560
Additions to existing NCI	—	607	—	607	893	1,500
Disposals of existing NCI	—	(7)	—	(7)	(9)	(16)
Balance at 30 September 2015	16,362	4,873	—	21,235	7,827	29,062
Loss for the year	—	(540)	—	(540)	(193)	(733)
Actuarial loss on defined benefit plan	—	(221)	—	(221)	(80)	(301)
Defined benefit pension plan surplus not recognised	—	(310)	—	(310)	(111)	(421)
Tax relating to components of other comprehensive loss	—	102	—	102	37	139
Total comprehensive income for the year	—	(969)	—	(969)	(347)	(1,316)
Other movements in NCI	—	(321)	500	179	(179)	—
Additions to existing NCI	—	82	—	82	123	205
Disposals of existing NCI	—	(68)	—	(68)	(77)	(145)
Balance at 30 September 2016	**16,362**	**3,597**	**500**	**20,459**	**7,347**	**27,806**

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Company statement of changes in equity
For the year ended 30 September 2016

	Share capital	Retained losses	Total equity
	£'000	£'000	£'000
Balance at 1 October 2014	16,362	(4,741)	11,621
Loss for the year	—	(13)	(13)
Balance at 30 September 2015	16,362	(4,754)	11,608
Profit for the year	—	7	7
Balance at 30 September 2016	**16,362**	**(4,747)**	**11,615**

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited

Consolidated statement of cash flows

For the year ended 30 September 2016

	Note	2016	2015
		£'000	£'000
Cash flows from operating activities			
Cash receipts from customers		**278,753**	233,749
Cash paid to suppliers and employees		**(271,503)**	(225,318)
Cash generated from operations		**7,250**	8,431
Interest received		**38**	—
Interest paid		**(8,402)**	(7,110)
Income taxes paid		**(534)**	(1,069)
Net cash from operating activities		**(1,648)**	252
Cash flow from investing activities			
Purchase of property, plant and equipment		**(8,268)**	(6,432)
Purchase of intangibles		**(489)**	—
Proceeds from the sale of equipment		**30**	140
Payment of deferred consideration		**—**	(2,221)
Payment of deferred share option		**—**	(7,013)
Acquisition of trade and assets/subsidiaries (net of cash acquired)		**(838)**	(3,763)
Net cash used in investing activities		**(9,565)**	(19,289)
Cash flows from financing activities			
Increase in long term borrowings		**—**	10,000
Finance costs		**(54)**	(265)
Repurchase of non-controlling interest shares in subsidiary		**(117)**	(16)
Cash flows from non-controlling interests		**128**	—
Capital element of finance leases repaid		**(2,604)**	(1,830)
Long term liabilities repaid		**—**	(194)
Net cash from financing activities		**(2,647)**	7,695
Net decrease in cash and cash equivalents		**(13,860)**	(11,342)
Cash and cash equivalents at the beginning of the year		**15,950**	27,292
Cash and cash equivalents at the end of year	25	**2,090**	15,950

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited

Company statement of cash flows

For the year ended 30 September 2016

	Note	2016	2015
		£'000	**£'000**
Cash flows from operating activities			
Cash receipts from customers		**62**	13
Cash paid to suppliers and employees		**(19)**	11
Net cash from operating activities		**43**	24
Net cash used in investing activities		**—**	—
Net cash used in financing activities		**—**	—
Net increase in cash and cash equivalents		**43**	24
Cash and cash equivalents at the beginning of the year		**59**	35
Cash and cash equivalents at the end of year	25	**102**	59

The notes on pages 16 to 50 form part of these financial statements.

Servest Limited
Notes forming part of the financial statements
for the year ended 30 September 2016

1 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Net defined benefit pension scheme asset

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

A separate Income statement for the parent company has not been presented as permitted by section 408 of the Companies Act 2006. The parent company made a profit of £7,000 (2015—loss of £13,000).

Amounts are rounded to the nearest thousand, unless otherwise stated.

Standards and interpretations issued but not yet effective

At the year end, the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

	EU Effective date
IFRS 15 Revenue from contracts with customers	01 January 2018
IFRS 9 Financial instruments*	01 January 2018
IFRS 16 Leases*	01 January 2019
Amendments to IFRS 11—Accounting for acquisitions of interests in joint operations	01 January 2016
Amendments to IAS 16 and IAS 38—Clarification of acceptable methods of depreciation and amortisation	01 January 2016
Amendments to IAS 16 and IAS 41—Agriculture: Bearer plants	01 January 2016
Amendments to IAS 27—Equity method in separate financial statements	01 January 2016
Annual improvements to IFRSs (2012-2014 cycle)	01 January 2016
Amendments to IAS 1—Disclosure initiative	01 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28—Applying the consolidation exemption	01 January 2016
Amendments to IAS 12—Recognition of deferred tax assets for unrealised losses*	01 January 2017
Amendments to IAS 7—Disclosure initiative*	01 January 2017
Amendments to IFRS 2—Classification and Measurement of Share-based payment transactions*	01 January 2018
Amendments to IFRS 4—Applying IFRS 9 Financial instruments with IFRS 4 insurance contracts*	01 January 2018

The directors are currently assessing the impact of these changes to Accounting Standards; however the impact is not currently known or reasonably estimable.

* Not yet EU endorsed.

New standards, interpretations and amendments effective in these financial statements

The adoption of the below mentioned standards, amendments and interpretations in the current year are not considered by the directors to have had a material impact on the Group's financial statements. Note: not all new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2015 effect the group's annual consolidated financial statements.

	EU Effective date
Amendments to IAS 19—Defined Benefit Plans—Employee Contribution...........................	01 February 2015
Annual Improvements to IFRSs (2010-2012 cycle)..	01 February 2015
Annual Improvements to IFRSs (2011-2013 cycle)..	01 January 2015

Consolidation

Subsidiaries are all entities over which the group has the 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 the 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.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

Goodwill

Goodwill on acquisitions comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. 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.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration for an 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. Costs incurred in connection with the acquisition are recognised in the income statement as incurred.

Where a business combination is achieved in stages, previously held interests 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 income statement.

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 this 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.

Intangible assets

Other intangible assets are shown at cost less accumulated amortisation and impairment losses.

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

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

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

- Customer base and reputation: 10 years
- Development costs: 10 years
- Regional licences: 20 years

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

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.

- Improvement to leasehold property: Over the period of the lease
- Plant and machinery: 2 - 5 years
- Motor vehicles: 4 - 5 years
- Office and computer equipment and software: 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 income statement.

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.

For goodwill the recoverable amount is estimated 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.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations 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 income statement.

Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Cash and cash equivalents

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

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

Trade 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.

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 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 other comprehensive income.

Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability of component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

This conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instruments as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible obligation, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instrument are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Revenue

Revenue is recognised by the group, exclusive of Value Added Tax and trade discounts.

Facilities Management, Cleaning, Catering, Energy and Pest

Revenue relates to goods and services supplied during the year and is recognised in the month that service is delivered. Revenue in respect of reimbursement of contract start up costs is matched to those costs.

Security

Revenue relates to guarding services and support services such as installations of Access Control Systems or hired CCTV and Biometric equipment. Revenue from guarding is recognised in the month that the service is delivered. Revenue from installations of Access Control Systems is recognised on the completion of the installation and revenue from hired CCTV and Biometric equipment is recognised at the commencement of each non-cancellable rental period.

Building Services

Revenue relates to maintenance services provided, including those works undertaken but not yet invoiced as at the period end. Revenue is recognised in the month that the service is delivered.

Mobilisation costs

For large or complex contracts, mobilisation costs incurred during the initial stages of the contract are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract on a straight-line basis. If the contract becomes loss making, any unamortised costs are written off immediately.

Uninvoiced amounts at the year-end are included in debtors as accrued income.

Inventories

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

Investments

Investments in subsidiaries are recorded at cost, 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.

Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as property, plant and equipment. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the costs of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

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 interests 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 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 is 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 income statement.

Deferred tax assets and deferred tax 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.

2 Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Key sources of estimation uncertainty

Defined benefit pension scheme—Refer to note 22 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Goodwill (note 11)—Goodwill is assessed for impairment at each statement of financial position date.

Fair value accounting on acquisition (note 17)—The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions.

Depreciation (note 10)—Depreciation is charged at varying rates and at varying bases to write off the property, plant and equipment down to its residual value over the estimated useful lives.

2 Accounting estimates and judgements

Amortisation (note 12)—Amortisation is charged on a straight line basis over the estimated useful lives of the intangible assets which are assessed based upon the historical customer relationships held and the reputations built up in the market place.

Contingent consideration (note 18)—Contingent consideration is measured for fair value changes annually with any changes being recognised in profit or loss.

3 Revenue

	2016	2015
	£'000	**£'000**
The group's revenue comprises:		
Services rendered	**247,706**	206,355
Goods sold	**36,341**	33,157
	284,047	239,512

4 Operating profit

	2016	2015
	£'000	**£'000**
Group operating profit for the year is stated after the following:		
Staff costs (note 6)	**197,514**	166,605
Depreciation		
—owned by the group	**4,608**	4,230
—held under finance leases	**2,302**	1,029
Amortisation of intangible assets	**3,192**	2,903
Operating lease rentals		
—plant and machinery	**767**	1,014
—other operating leases	**813**	749
Loss on disposals of property, plant and equipment	**33**	4
Goodwill and intangible asset impairment charge	**866**	—
Subcontractor costs	**15,821**	11,677
Raw materials and consumables used	**29,827**	28,526

5 Auditors remuneration

	2016	2015
	£'000	**£'000**
Fees payable to the group's auditor for the audit of the group's annual financial statements	**11**	11
Fees payable to the group's auditor for other services:		
Preparation of financial statements	**30**	—
The audit of the group's subsidiaries, pursuant to legislation	**180**	163
Tax services	**36**	22
Services relating to corporate finance transactions	**—**	50
All other services	**12**	4

6 Staff costs

	2016	2015
	£'000	**£'000**
Staff costs comprised:		
Wages and salaries	**186,161**	157,190
Social security costs	**10,304**	8,616
Pension costs—defined contribution schemes	**956**	701
Pension costs—defined benefit scheme	**93**	98
	197,514	166,605

The average number of employees, including directors, can be categorised as follows:

	2016	2015
Direct staff	**21,085**	17,566
Administration and management employees	**462**	618
Directors	**4**	3
	21,551	18,187

Directors' remuneration

	2016	2015
	£'000	£'000
Emoluments	**697**	309
Pension contributions	**11**	10
	708	319

The number of directors to whom retirement benefits are accruing is 1 (2015—1).

The highest paid director received remuneration of £184,000 (2015—£174,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,000 (2015—£10,000).

The highest paid director has not exercised any share options nor are they entitled to receive any shares under long term incentive schemes.

7 Exceptional items and acquisition costs

	2016	2015
	£'000	£'000
Discount on settlement of deferred consideration	**—**	(2,479)
Acquisition costs	**45**	683
Redundancy and other costs	**962**	—
Goodwill and intangible asset impairment charge	**866**	—
Reversal of contingent consideration	**(1,040)**	—
	833	(1,796)

During the prior year discount was negotiated on deferred consideration of £2,479,000. During the current year the group incurred acquisition costs of £45,000 (2015—£683,000) were incurred. In addition, there were £962,000 (2015—£Nil) of redundancy payments made to employees.

The fair value of the contingent consideration previously recognised in respect of Llewellyn Smith Limited (£1,040,000) has been assessed in the current year as £Nil. This is as a result of a post-acquisition event and as such, the movement has been recognised in the income statement. The investment in Llewellyn Smith Limited has been impaired by £866,000 with the goodwill impaired by £182,000 and intangibles impaired by £684,000.

8 Finance costs

	2016	2015
	£'000	£'000
Interest on bank loans and overdrafts	**7,732**	6,731
Loan note interest	**—**	77
Interest payable on finance leases and hire purchase contracts	**323**	275
Other finance costs	**578**	572
Interest payable on loans from group undertakings	**24**	21
	8,657	7,676

9 Tax expense

	2016	2015
	£'000	**£'000**
Current tax		
UK corporation tax	**706**	609
Adjustments in respect of prior periods	**(595)**	(85)
Deferred tax		
Current year	**(1,096)**	(1,287)
Adjustments in respect of prior periods	**428**	—
	(557)	(763)

The tax assessed for the year is higher than (2015—lower than) than the standard rate of corporation tax in the UK of 20.0% (2015—20.5%). The differences are explained below:

	2016	2015
	£'000	**£'000**
Profit before tax	**(1,290)**	2,707
Tax calculated at domestic tax rates applicable	**(258)**	555
Non-deductible expenses	**261**	171
Deferred tax effect of change in taxation rates	**(108)**	(19)
Non-taxable income	**(208)**	(496)
Adjustments to tax charge in respect of the prior year	**(167)**	(85)
Other differences leading to an increase/ (decrease) in the tax charge	**61**	(883)
Unrecognised tax losses utilised	**(121)**	—
Deferred tax movement on defined benefit scheme	**—**	26
Pension liability reversed	**139**	—
Tax deductible expenses on pension scheme contributions	**(156)**	(32)
Tax income	**(557)**	(763)

Factors that may affect future tax charges

At 30 September 2016 the group had taxable losses of approximately £188,000 (2015—£336,000) available for offset against future taxable profits. A deferred tax asset of £42,000 has been recognised in the financial statements for the year ended 30 September 2016 as there is an expectation that the entity will continue to trade profitably. No deferred tax asset was recognised in the prior year as there was no formalised strategy in place for the utilisation of these losses.

10 Property, plant and equipment

Group	Improvement to leasehold property	Plant and machinery	Motor vehicles	Office and computer equipment and software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2014	579	11,301	2,395	4,105	18,380
Acquired through business combinations	—	44	174	106	324
Additions	238	5,705	3,036	2,392	11,371
Disposals	—	(1,204)	(31)	(66)	(1,301)
Transfer to intangible assets	—	—	—	(443)	(443)
Transfer between asset categories	—	(155)	155	—	—
At 30 September 2015	817	15,691	5,729	6,094	28,331
Acquired	—	—	—	10	10
Additions	125	4,895	1,641	2,846	9,507
Disposals	—	(610)	(164)	—	(774)
At 30 September 2016	**942**	**19,976**	**7,206**	**8,950**	**37,074**
Accumulated depreciation					
At 1 October 2014	(208)	(4,123)	(105)	(1,312)	(5,748)
Charge for the year	(108)	(2,736)	(1,258)	(1,157)	(5,259)
Disposals	—	1,097	5	53	1,155
Transfer between asset categories	—	149	(149)	—	—
At 30 September 2015	(316)	(5,613)	(1,507)	(2,416)	(9,852)
Charge for the year	(157)	(3,953)	(1,076)	(1,724)	(6,910)
Disposals	—	589	122	—	711
At 30 September 2016	**(473)**	**(8,977)**	**(2,461)**	**(4,140)**	**(16,051)**
Net book value					
At 30 September 2015	501	10,078	4,222	3,678	18,479
At 30 September 2016	**469**	**10,999**	**4,745**	**4,810**	**21,023**

10 Property, plant and equipment

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases:

	2016	2015
	£'000	£'000
Group		
Plant and machinery	**2,861**	4,722
Motor vehicles	**4,048**	3,741
Computer equipment	**308**	190
	7,217	8,653

11 Goodwill

Group	£'000
Cost	
At 1 October 2014	42,947
Recognised on acquisition of subsidiaries	3,752
At 30 September 2015	46,699
Acquired through business combinations	1,001
Impairment losses	(182)
At 30 September 2016	**47,518**
Carrying value at 1 October 2015	46,699
At 30 September 2016	**47,518**

There are £182,000 accumulated impairment losses in existence (2015—Nil).

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

The goodwill associated with the group's Cleaning operation is £11,616,000, the Security operation is £8,389,000, the Catering operation is £16,689,000, the Building Services operation is £7,406,000, the Energy operation £1,355,000 and the Pest operation £2,063,000. The recoverable amount of all of the group's operations CGU's 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 market place.

Other major assumptions are as follows:

	Cleaning	Security	Catering	Building Services	Pest	Energy
2015						
Discount rate %	10	10	10	10	10	10
Growth rate %	2	2	2	2	2	2
2016						
Discount rate %	10	10	10	10	10	10
Growth rate %	2	2	2	2	2	2

The growth rate and operating margin assumptions applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five. The growth rates used beyond the first five years are based on economic data pertaining to the markets concerned.

The pre-tax discount rate is based on the group's weighted average cost of capital adjusted for specific risks relating to the relevant sector.

If the long term growth rates across the CGU's were to reduce to 2.5% or the discount rate were to increase to 12.36% there would still be no indication of impairment.

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.

During the year, one of the operating units in the Energy segment lost one of its key customers. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of £182,000. The (pre-tax) discount rate used to measure the CGU's value in use was 10%.

As a result of this lost customer an impairment of £684,000 to intangibles was also necessary (see note 12).

12 Intangible assets

Group	Development costs	Customer base and reputation	Regional licences	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 October 2014	—	27,083	541	27,624
Acquired through business combination	87	3,241	—	3,328
Additions	983	—	—	983
At 30 September 2015	1,070	30,324	541	31,935
Acquired through business combination	—	273	—	273
Additions	489	—	—	489
At 30 September 2016	**1,559**	**30,597**	**541**	**32,697**
Accumulated amortisation				
At 1 October 2014	—	7,175	214	7,389
Amortisation	100	2,769	34	2,903
At 30 September 2015	100	9,944	248	10,292
Amortisation	112	3,053	27	3,192
Impairment losses	—	684	—	684
At 30 September 2016	**212**	**13,681**	**275**	**14,168**
Net book value				
At 1 October 2015	970	20,380	293	21,643
At 30 September 2016	**1,347**	**16,916**	**266**	**18,529**

The average remaining amortisation periods at 30 September 2016 are:

Regional licences: 8 years
Development costs: 9 years
Customer base and reputation: 6 years

13 Investments

Investments in subsidiaries

Company	2016	2015
	£'000	£'000
At the beginning and the end of the year	**11,968**	**11,968**

There have been some shares movements within Servest Group Limited which has resulted in the proportion of ownership in this company increasing from 73.15% as at 30 September 2015 to 73.62% at 30 Setpember 2016. The voting rights of the NCI is 24.9% as there are management shares held at Servest Group Holdings Limited level that have no voting rights.

There are certain restrictions arising from borrowings at Servest Group Limited that restrict the level of cash and assets that can be transferred out of Servest Group Limited and its sub-consolidated group to specific permitted distributions. These restrictions apply to the consolidated net assets of Servest Group Limited, totalling circa £28,000,000 (2015—£29,500,000).

The principal subsidiaries of Servest Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Class of shares held	Proportion of ownership interest	Principal Activities
Subsidiary undertakings			
Servest Group Holdings Limited	Ordinary	73.62%	Dormant holding company
Servest Group Limited*	Ordinary	73.62%	Holding company which trades significantly within the facilities sector and performs the group administrative function
Servest (Commercial & Public Sector) Limited*	Ordinary	73.62%	Dormant company
Servest Security Services Limited*	Ordinary	73.62%	Security services
Servest Catering Limited*	Ordinary	73.62%	Catering services
Servest Building Services Limited*	Ordinary	73.62%	Maintenance services
Servest Facilities Services Limited*	Ordinary	73.62%	Dormant company
Servest Pest Patrol Limited*	Ordinary	73.62%	Pest patrol services
Llewellyn Smith Holdings Limited*	Ordinary	73.62%	Dormant holding company
Llewellyn Smith Surveyors Limited*	Ordinary	73.62%	Dormant company
Llewellyn Smith Limited*	Ordinary	73.62%	Energy services
Joint ventures			
Atalian Servest Limited(*)(**)	Ordinary	36.81%	Provision of integrated FM solutions on a Pan European basis

All of the subsidiary undertakings and joint ventures were incorporated in England and Wales.

* denotes indirect holding

** Servest Group Limited holds a 50% shareholding in Atalian Servest Limited which has not commenced trading. The carrying value of the investment is £50 (2015—£Nil).

14 Inventories

Group	2016	2015
	£'000	£'000
Consumables	**5,050**	**4,376**

The total cost of consumables expensed in the year and included within cost of sales is £29,827,000 (2015—£28,526,000).

15 Trade receivables

Group	2016	2015
	£'000	£'000
Trade receivables	**32,222**	27,901
Provision for doubtful debts	**(1,133)**	(367)
	31,089	27,534

Company	2016	2015
	£'000	£'000
Trade receivables	**18**	—

16 Other receivables

Group	2016	2015
	£'000	£'000
Other receivables	**2,124**	1,374
Prepayments	**2,890**	3,807
Accrued income	**17,113**	11,591
	22,127	16,772

Company	2016	2015
	£'000	£'000
Other receivables	—	6
Amounts owed by group undertakings	—	14
	—	20

17 Business combinations

Current year acquisitions

During the year ended 30 September 2016, the group acquired 100% of the trade and assets of Accuro Catering Limited. The acquisition method of accounting was used for this business combination.

The purpose of the acquisition was to:

- obtain access to a new market sector (care and education)
- acquire a national operation with a customer base which fits nicely with the other group companies
- acquire a revenue stream from existing customers
- enhances ability to provide comprehensive FM contracts

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

Details of the fair value of identifiable assets and liabilities acquired are as follows:

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Acquisition of			
Trade and other receivables	11	—	11
Property, plant and equipment	10	—	10
Inventories	95	—	95
Cash at bank	1	—	1
Intangibles customer contracts and reputation	—	273	273
Trade and other payables	(599)	—	(599)

(482)	273	(209)

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

	£'000
Cash	512
Deferred consideration	225
Net liabilities acquired	209
Goodwill (see note 11)	946

The goodwill recognised will not be deductible for tax purposes.

The business acquired contributed £3,400,000 to the group's revenue in the year ended 30 September 2016. The effect on the net profit for the year of the group since the acquisition date to their first-time consolidation was £224,000. Had this business combination been effective for the full year, the revenue and profit associated with it would have been £4,831,000 and £459,000 respectively.

Acquisition costs of £45,000 were recognised as an expense in exceptional administrative expenses.

Following the year ended 30 September 2016, the group acquired 100% of the voting equity instruments of the following:

Company name	Date of acquisitions	Nature of business
Arthur McKay & Co Limited	18 October 2016	Provision of Building Installation Services
Catering Academy Limited	24 October 2016	Provision of Catering Services

On 30 September 2016, Servest Limited agreed to acquire a 100% controlling stake in the voting shares of Arthur McKay & Co Ltd based on a 'locked-box date' set to be 29 February 2016. The locked box date is the date from which the acquirer obtains the economic ownership of the targeted business, before it legally controls that business. Approvals and legal formalities were completed on 18 October 2016, meaning that control passed to the Group, and full consolidation of results will commence from that date.

On 30 September 2016, Servest Limited agreed to acquire a 100% controlling stake in the voting shares of Catering Academy Limited. Approvals and legal formalities were completed on 24 October 2016, meaning that control passed to the Group, and full consolidation of results will commence from that date.

The purpose of the acquisitions was to:

- Expand the UK market area of the Group
- Expand on the services provided
- Acquire complimentary service lines to continue to expand the UK operation
- Reduce the customer concentration risk within the group
- Enhance the ability to provide comprehensive FM contracts

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

	Arthur McKay & Co Limited	Catering Academy Limited
Cash	£39,491,000	£13,546,000
Contingent consideration	—	£ 1,380,000
Total	**£39,491,000**	**£14,926,000**

The fair value of the contingent consideration is £1,380,000, the contingent consideration is contingent based on Gross Profit earnout targets being achieved in the year ended 24 October 2016. The maximum payment of contingent consideration is £1,380,000.

Goodwill represents the value of the synergies arising from the economies of scale achievable in the enlarged group, along with the brand names acquired. Intangibles represent the value of customer relationships and reputation of the acquired entities.

Due to the timing of both acquisitions, the exercise to determine the fair value of net assets and contingent liabilities acquired has not yet been completed. Therefore it is not possible to disclose information in regards to acquired receivables and the amounts recognised as of the acquisition date for each major class of asset acquired and liabilities assumed.

Once goodwill has been calculated, the recognised amount will not be deductible for tax purposes.

18 Trade and other payables

Group	2016	2015
	£'000	£'000
Current		
Accrued expenses and deferred income	**13,762**	11,114
Other payables	**12,832**	17,216
Contingent consideration	**400**	—
Trade payables	**12,295**	11,053
	39,289	39,383

	2016	2015
	£'000	£'000
Non-current—other payables		
Contingent consideration	—	1,440

Company	2016	2015
	£'000	£'000
Accrued expenses and deferred income	**12**	16
Amounts owed to group undertakings	**12**	—
Other payables	**3**	3
	27	19

19 Borrowings

Group		2016	2015
		£'000	£'000
Non-current			
Bank loan	(a)	**69,305**	68,781
Other loans	(b)	**1,000**	1,000
Other loans owed to shareholders	(c)	**444**	420
		70,749	70,201

(a) The bank loan is secured via a debenture package and a charge over all assets of Servest Group Limited and its subsidiaries, which form the UK Group as shown in note 13.

The loan is repayable in one bullet payment at the end of the term in May 2021.

The loan bears interest at a fixed rate of 8.875%.

(b) The other loan is repayable in May 2021.

The loan bears interest at a fixed rate of 8%.

(c) The other loans owed to shareholders are not repayable before 31 October 2017.

The loans bear interest at 5.0% above the HSBC Bank Plc base rate p.a. (2015—5.0% above HSBC Bank Plc base rate p.a.).

Company	2016	2015
	£'000	£'000
Non-current		
Other loans owed to shareholders	**444**	420

The other loans owed to shareholders are not repayable before 31 October 2017.

The loans bear interest at 5.0% above the HSBC Bank Plc base rate p.a. (2015—5.0% above HSBC Bank Plc base rate p.a.).

20 Finance lease liabilities

	2016	2015
	£'000	£'000
Gross finance lease liabilities—minimum lease payments		
Not later than 1 year	**2,812**	2,699
Later than 1 year and no later than 5 years	**3,484**	5,197
	6,296	7,896
Future finance charges on finance leases	**(291)**	(524)
Present value of finance lease liabilities	**6,005**	7,372
The present value of finance lease liabilities is analysed as follows:		
Not later than 1 year	**2,653**	2,477
Later than 1 year and no later than 5 years	**3,352**	4,895
	6,005	7,372

Finance leases and hire purchases are secured over plant and equipment as disclosed in note 10. These assets will revert back to the lessor in the event of a default. There were no contingent rents.

21 Deferred tax

Group	2016	2015
	£'000	£'000
Deferred tax liabilities	**(3,800)**	(4,563)
Deferred tax liabilities comprise:		
Fixed asset timing differences	**(324)**	(348)
Deferred tax liability on intangibles acquired on business combination	**(3,520)**	(4,076)
Deferred tax on defined benefit pension scheme surplus	**—**	(139)
Taxable losses carried forward	**44**	—
	(3,800)	(4,563)

Group	Customer lists/ intangibles	Fixed asset and other timing differences	Deferred tax on defined benefit pension scheme surplus	Taxable losses carried forward	Total
	£'000	£'000	£'000	£'000	£'000
Deferred tax assets & liabilities:					
Balance at 1 October 2014	(4,777)	(298)	(83)	—	(5,158)
Deferred tax liability recognised on acquisition of subsidiaries	(648)	(18)	—	—	(666)
Recognised in the income statement	1,349	(32)	(30)	—	1,287
Recognised in the statement of comprehensive income	—	—	(26)	—	(26)
Balance at 1 October 2015	(4,076)	(348)	(139)	—	(4,563)
Deferred tax liability recognised on acquisition of subsidiaries	(55)	11	—	—	(44)
Recognised in the income statement	611	13	—	44	668
Recognised in the statement of comprehensive income	—	—	139	—	139
Balance at 30 September 2016	**(3,520)**	**(324)**	**—**	**44**	**(3,800)**

22 Retirement benefit obligations

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

Defined contribution schemes

	2016	2015
	£'000	**£'000**
Amount recognised as an expense	**956**	701

Defined benefit schemes

The group operates a final salary defined benefit pension scheme.

The scheme provides employees with a pension benefit based on final pensionable pay. The scheme is funded by the company and employees. Contributions by the company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement.

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

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

- *Investment risk:* Investment returns on the schemes assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of scheme liabilities.

- *Interest rate risk:* movement in discount rate used (high quality corporate bonds) will change the defined benefit obligation.

- *Longevity risk:* Scheme members may live longer than assumed, for example due to unanticipated advance in medical healthcare.

- *Salary risk:* increase in future salaries increase the gross defined benefit obligation.

- Legislative changes could also lead to an increase in scheme liabilities.

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

The Group has determined that, in accordance with the terms and conditions of the defined benefit plan, and with statutory requirements (including minimum funding requirements) for the plan, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no defined benefit asset was recognised at 30 September 2016. The Group expects to pay £22,000 in contributions to its defined benefit plan in 2017.

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

	Defined benefit pension plans	
	2016	**2015**
	£'000	**£'000**
Present value of funded obligations	**(1,310)**	(877)
Fair value of plan assets	**1,731**	1,573
Scheme surplus not recognised	**(421)**	—
	—	696

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 October	(877)	(849)	1,573	1,274	696	425

Service cost and Interest						
Current service cost	(93)	(98)	—	—	(93)	(98)
Interest (cost)/income on defined benefit obligation	(34)	(36)	62	58	28	22
Total defined benefit gain/(cost) recognised in profit or loss	(127)	(134)	62	58	(65)	(76)
Remeasurement loss						
Actuarial loss from:						
—Financial assumptions	(323)	(88)	—	—	(323)	(88)
—Adjustments (experience)	12	194	10	10	22	201
—Effect of asset ceiling	—	—	(421)	—	(421)	—
Included in other comprehensive income	(311)	106	(411)	10	(722)	116
Total defined benefit gain	(438)	(28)	(349)	68	(787)	40
Cashflows						
Employer contributions	—	—	91	231	91	231
Employee contributions	(11)	(6)	11	6	—	—
Benefits paid	16	6	(16)	(6)	—	—
	5	—	86	231	91	231
At 30 September	(1,310)	(877)	1,310	1,573	—	696

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 asset consists of:

	2016	2015
	£'000	£'000
Cash and cash equivalents	**18**	192
Equity instruments	**798**	688
Gilts	**526**	456
Corporate Bonds	**218**	20
Property and other assets	**171**	217
	1,73 1	1,57 3

All equity securities and government bonds are quoted prices in active markets. All government and corporate bonds are issued by European governments and institutions and are AAA or AA rated. All other plan assets are not quoted in an active market.

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

	2016	2015
	%	%
Discount rate at 30 September	**2.4**	3.7
Future salary increases	**3.3**	3.1
Future pension increases	**3.3**	3.1
Proportion of employees opting for early retirement	**3.3**	3.1
Retail price inflation	**3.3**	3.1

Longevity at retirement age (current pensioners)		
—Males	**20.2**	20.7
—Females	**22.2**	22.8
Longevity at retirement age (future pensioners)		
—Males	**21.5**	22.1
—Females	**23.6**	24.2

Sensitivity analysis:

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

Actuarial assumption	**Reasonably possible change**	**2016**
		£'000
Discount rate	0.25%	**70**
Salary increases	0.25%	**69**
Inflation	0.25%	**13**
Future mortality rates	1 year	**42**

23 Share capital

	2016	**2015**
	£'000	**£'000**
Issued and fully paid for:		
13,121,602 A ordinary shares of £1 each	**13,122**	13,122
3,240,137 B ordinary shares of £1 each	**3,240**	3,240
	16,362	16,362
Authorised:		
A ordinary shares of £1 each	**50,000**	50,000
B ordinary shares of £1 each	**50,000**	50,000
	100,000	100,000

Holders of the B Ordinary shares do not have the right to receive notice of or to attend or vote at any General Meeting of the company, nor are they entitled to receive any distribution of profits or dividend. Upon a winding up or on any reduction in capital in which a repayment of capital is made, the aggregate return relating to all of the B Ordinary shares shall be limited to £1, and upon any transfer of B Ordinary shares, the aggregate purchase monies to be attributed to all of the B Ordinary shares shall be limited to £1.

The A Ordinary shares and B Ordinary shares rank pari passu in all other respects.

24 Ultimate Parent Undertaking and Controlling Party

The ultimate parent company and the head of the largest group for which consolidated accounts are drawn up is Servest Group Proprietary Limited, a company incorporated in South Africa.

In the opinion of the directors' there is no ultimate controlling party.

25 Notes supporting statement of cash flows

Significant non-cash transactions:

During the year the Group acquired property, plant and equipment with total cost of £9,507,000 (2015—£11,371,000) of which £1,238,000 (2015—£5,479,000) were acquired by means of finance leases. Finance leases and hire purchase are secured on the assets to which they relate.

During the year £578,000 (2015—£571,000) was recognised in the statement of profit and loss for debt cost which are amortised over the duration for which the debt is held.

During the year the group acquired subsidiaries of which £Nil (2015—£500,000) of the consideration was by means of a share issue from Servest Group Holdings Limited. A further £Nil (£1,000,000) of shares were issued as part of the agreed settlement of the deferred consideration relating to an acquisition completed in a previous year.

Cash and cash equivalents

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

	2016	2015
	£'000	£'000
Group		
Cash in hand	**936**	1,374
Balances with banks	**1,154**	14,576
Cash and cash equivalents	**2,090**	15,950
Company		
Balance with banks	**102**	59
Cash and cash equivalents	**102**	59

26 Operating lease commitments

Group	Land and buildings 2016	Other 2016	Land and buildings 2015	Other 2015
	£'000	£'000	£'000	£'000
As a lessee:				
Future minimum lease payments under non-cancellable operating leases:				
Within one year	**600**	**168**	611	516
From one to five years	**1,346**	**15**	1,525	79
After five years	**853**	**—**	1,255	—

Lease payments recognised in the profit for the period amounted to £1,580,000 (2015—£1,762,000).

The Group has a number of leased properties. The terms of property leases vary from site to site, although they all tend to be tenant repairing with rent reviews at least every 5 years and many have break clauses.

27 Related parties

	Sales/ (Purchase) of goods/services		Interest payable		Short term employee benefits		Amounts owed to related party	
Relationship	**£'000 2016**	**£'000 2015**	**£'000 2016**	**£'000 2015**	**£'000 2016**	**£'000 2015**	**£'000 2016**	**£'000 2015**
Servest Group Limited, subsidiary	60^	60^	—	—	—	—	12^	14^
Servest Proprietary Limited, parent	(54)*	—	13*	12*	—	—	(235)*	(222)*
Corvest 6 Proprietary Limited, minority shareholder	—	—	10*	9*	—	—	(183)*	(173)*
GSH Investments Limited, minority shareholder	—	—	1	—	—	—	(26)*	(25)*
Key management remuneration	—	—	—	—	2,979<	2,667<	—	—

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

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

< Where indicated above, these amounts are related party transactions at group level only.

Amounts owed to and by related parties, excluding the balances with Servest Proprietary Limited, GSH Investments and Corvest 6 Proprietary Limited, are unsecured, interest-free, and have no fixed terms of repayment.

Amounts owed to Servest Proprietary Limited, GSH Investments and Corvest 6 Proprietary Limited are shown within other loans owed to shareholders, in non-current borrowings.

Amounts owed to Servest Group Limited are shown within amounts owed to group undertakings included within trade and other payables.

At the year end there is an outstanding management share loan with P Morris, a director of the company, of £29,000 (2015—£29,000).

28 Financial instruments

Classes and fair value of financial instruments

Group	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
	£'000	£'000	£'000	£'000
Financial assets				
Trade receivables	**31,089**	**31,089**	27,534	27,534
Other receivables	**1,550**	**1,550**	1,374	1,374
Accrued income	**17,113**	**17,113**	11,591	11,591
Cash and cash equivalents	**2,090**	**2,090**	15,950	15,950
	51,842	**51,842**	56,449	56,449

All of the above items are treated as loans and receivables at amortised cost.

	2016 Carrying value	2016 Fair value	As restated 2015 Carrying value	As restated 2015 Fair value
	£'000	£'000	£'000	£'000
Financial liabilities				
Trade payables	**12,295**	**12,295**	11,053	11,053
Other payables	**3,925**	**3,925**	6,881	6,881
Contingent consideration	**400**	**400**	1,440	1,440
Accruals	**12,293**	**12,293**	9,047	9,047
Non-current borrowings	**73,444**	**73,444**	73,420	73,420
Finance lease liability	**6,005**	**6,005**	7,372	7,372
	108,362	**108,362**	109,213	109,213

All of the above financial liabilities, except for the contingent consideration, are treated as held at amortised cost.

The contingent consideration is a financial instrument held at fair value. The fair value is determined by the application of level 3 as it is not linked to quoted prices or observable market data. The value of the contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The opening contingent consideration was £1,440,000, none has been paid during the year and £1,040,000 was released to the income statement as the fair value was determined to be nil. The closing balance of £400,000 this year relates to contingent consideration in relation to acquisitions completed in the prior year.

The group has no other financial instruments measured as Level 1 or 2 (2015—no such instruments) included at fair value other than those detailed above.

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

Financial risk management

The group's operations expose it to a number of financial risks, primarily credit risk and availability of capital to fund future growth. A risk management programme has been established to protect the group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

Credit risk

Concentrations of credit risk with respect to customers are closely monitored by the directors, and although the group has a low number of significant customers, there are also a large number of other customers in place which reduce the concentration risk to an acceptable level. The acquisition of Accuro Catering Limited in the year has also brought in a new customer database and has further diluted the customer concentration risk in place.

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 £1,154,000 (2015—£14,576,000) with Lloyds Banking Group plc, Barclays Bank plc, Natwest and Yorkshire Building Society.

The groups maximum exposure to credit risk is:

	2016	As restated 2015
	£'000	£'000
Financial assets		
Trade receivables	31,089	27,534
Other current assets	18,663	12,965
Cash and cash equivalents	2,090	15,950

Credit risk

An analysis of trade receivables:

2016	Carrying amount	Neither impaired nor past due	Past due but not impaired 61–90 days	Past due but not impaired More than 91 days
	£'000	£'000	£'000	£'000
Trade receivables	31,089	20,791	5,925	4,373

2015	Carrying amount	Neither impaired nor past due	Past due but not impaired 61–90 days	Past due but not impaired More than 91 days
	£'000	£'000	£'000	£'000
Trade receivables	27,534	23,910	995	2,629

The group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 40 days (2015—35 days). It is the group's policy to assess receivables for recoverability on an individual basis and to make provisions where it is considered necessary. In assessing recoverability, the group takes into account any indicators of impairment up until the reporting date. The application of this policy therefore results in receivables not being provided for unless individual circumstances indicate that a debt is impaired.

From following the above policy, the group made a provision against individual balances where there were doubts over the recoverability of the balances of £1,133,000 (2015—£367,000). The movement in the provision has gone into bad debt expense which 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.

28 Financial instruments

Interest rate risk

Interest rate exposure and sensitivity analysis:

2016	Carrying amount	Average interest rate%	If interest rates were 1% higher Pre tax profit	If interest rates were 1% higher Equity	If interest rates were 1% lower Pre tax profit	If interest rates were 1% lower Equity
	£'000	%	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	2,090	0	21	17	(21)	(17)
Financial liability						
Finance leases	6,005	4.5	(60)	(48)	60	48
			(39)	**(31)**	**39**	**31**

2015	Carrying amount	Average interest rate%	If interest rates were 1% higher Pre tax profit	If interest rates were 1% higher Equity	If interest rates were 1% lower Pre tax profit	If interest rates were 1% lower Equity
	£'000	%	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	15,950	0	159	128	(159)	(128)
Financial liability						
Finance leases	7,372	4.5	(74)	(59)	74	59
			85	69	(85)	(69)

The pension plan investment board loan and other loans 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 at bank 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 other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movements in interest rates and parallel shifts in the yield curves are assumed. A sensitivity of 1% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. When applied to short-term interest rates this would represent three to four rate increases which is reasonably possible in the current environment with the bias coming from the reserve bank and confirmed by market expectations that interest rates in the UK are more than likely to move up than down in the coming period.

Liquidity risk

The group maintains sufficient cash levels to enable it to meet its liabilities as they fall due. Management review cashflow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The group has cash in hand of £2,090,000 at 30 September 2016. The average creditor payment period is 51 days (2015—50 days).

Contractual maturity analysis for financial liabilities:

2016	**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**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other payables	30,537	8,884	—	—	—	**39,421**
Pension plan investment board loan	—	—	—	72,000	—	**72,000**
Other loans	—	—	—	1,444	—	**1,444**
Finance lease liability	239	453	1,961	3,352	—	**6,005**
	30,776	9,337	1,961	76,796	—	118,870

2015	**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**	**As restated Due after 5 years**	**As restated Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other payables	34,031	3,285	—	—	—	37,316
Pension plan investment board loan	—	—	—	—	72,000	72,000
Other loans	—	—	—	420	1,000	1,420
Finance lease liability	206	594	1,610	4,962	—	7,372
	34,237	3,879	1,610	5,382	73,000	118,108

29 Capital management

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

- The Group treasury function maintains 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 September 2016 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 Notes 19 and 20, 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.

30 Post balance sheet events

Subsequent to the year end, Servest Limited entered into a new loan facility agreement on 18 October 2016 resulting in new additional borrowings totalling £50 million.

In addition to the new finance facility obtained, on 18th and 24th October 2016 respectively, Servest Limited purchased 100% of the shares in Arthur McKay & Co Limited and Catering Academy Limited; both trading entities. The company entered into the sale and purchase agreements to acquire the companies on the 30 September 2016, however control did not pass until the above respective dates. Further details of these acquisitions can be seen within note 17, business combinations.

31 Reserves

Retained earnings

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Share capital

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

Equity reserve

On 30 July 2015, Servest Group Limited acquired 100% of the voting rights of Llewellyn Smith Holdings Limited and its subsidiaries. As part of the purchase consideration there is an obligation to settle £500,000 of the consideration either through cash or the issue of 1,545,485 A Ordinary shares in Servest Group Holdings Limited. The proportion of consideration to be settled in cash or shares is based upon post-acquisition earn out EBITDA. Upon initial recognition, the consideration has been accounted for as a compound instrument based on the assessment and fair value at the date of acquisition which resulted in the obligation being expected to be extinguished entirely via the issue of shares. As such, this has been recognised within equity under the separate heading of “equity reserve”.

Servest Limited
Financial statements
For the year ended 30 September 2015
Registered number: 03786009 (England and Wales)

Servest Limited

Consolidated statement of profit or loss for the year ended 30 September 2015

	Note	Business performance	Exceptional items & acquisition costs	TOTAL 2015	Business performance	Exceptional items & acquisition costs	TOTAL 2014
		£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations							
Revenue	4	239,512	—	**239,512**	215,270	—	215,270
Cost of sales		(195,268)	—	**(195,268)**	(175,827)	—	(175,827)
Gross profit		44,244	—	**44,244**	39,443	—	39,443
Administrative expenses	8	(35,679)	1,796	**(33,883)**	(29,997)	(1,669)	(31,666)
Operating profit	5	8,565	1,796	**10,361**	9,446	(1,669)	7,777
Finance income		22	—	**22**	19	—	19
Finance costs	9	(7,676)	—	**(7,676)**	(5,093)	—	(5,093)
Profit before tax		911	1,796	**2,707**	4,372	(1,669)	2,703
Income tax expense	10			**763**			(440)
PROFIT FOR THE YEAR				**3,470**			2,263
Attributable to:							
Equity holders of the parent				**2,616**			1,681
Non controlling interest				**854**			582
				3,470			2,263

Servest Limited

Consolidated statement of other comprehensive income for the year ended 30 September 2015

		2015	2014
		£'000	**£'000**
PROFIT FOR THE YEAR		**3,470**	2,263
Other comprehensive gain/(loss):			
Actuarial gain/(loss) on defined benefit plans	23	**116**	(27)
Income tax relating to components of other Comprehensive loss		**(26)**	5
Other comprehensive gain/(loss) for the year, net of tax		**90**	(22)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**3,560**	2,241
Total other comprehensive income attributable to:			
Equity holders of the parent		**2,682**	1,659
Non controlling interest		**878**	582
		3,560	2,241

Servest Limited

Consolidated Statement of financial position at 30 September 2015

Registered number 03786009 (England and Wales)

	Note	2015	2014
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	11	**18,479**	12,632
Goodwill	12	**46,699**	42,947
Other intangible assets	13	**21,643**	20,235
Defined benefit pension asset	23	**696**	425
		87,517	76,239
Current assets			
Inventories	15	**4,376**	3,246
Trade receivables	16	**27,534**	21,630
Other receivables	17	**16,772**	12,695
Cash and cash equivalents	26.2	**15,950**	27,292
		64,632	64,863
Liabilities			
Current liabilities			
Trade and other payables	19	**(39,383)**	(47,822)
Current tax payable		**(128)**	(576)
Finance leases	21	**(2,477)**	(1,120)
		(41,988)	(49,518)
Non-current liabilities			
Non-current other payables	19	**(1,440)**	—
Non-current borrowings	20	**(70,201)**	(59,873)
Deferred tax	22	**(4,563)**	(5,158)
Finance leases	21	**(4,895)**	(2,535)
		(81,099)	(67,566)
Net assets		**29,062**	24,018
Equity			
Share capital	24	**16,362**	16,362
Retained earnings		**4,873**	1,591
Equity attributable to equity holders of the parent		**21,235**	17,953
Non-controlling interest		**7,827**	6,065
Total equity		**29,062**	24,018

Servest Limited

Company statement of financial position at 30 September 2015

Registered number 03786009 (England and Wales)

	Note	2015	2014
		£'000	£'000
Assets			
Non-current assets			
Investments in subsidiaries	14	**11,968**	11,968
		11,968	11,968
Current assets			
Other receivables	17	**20**	33
Cash and cash equivalents	26.2	**59**	35
		79	68
Liabilities			
Current liabilities			
Trade and other payables	19	**(19)**	(17)
		(19)	(17)
Non-current liabilities			
Non current borrowings	20	**(420)**	(398)
		(420)	(398)
Net assets		**11,608**	11,621
Equity attributable to equity holders of the parent			
Share Capital	24	**16,362**	16,362
Retained losses		**(4,754)**	(4,741)
Total Equity		**11,608**	11,621

Servest Limited

Consolidated statement of changes in equity for the year ended 30 September 2015

	Attributable to equity holders of the parent				
	£'000	£'000	£'000	£'000	£'000
	Share capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 October 2013	16,362	88	16,450	5,522	21,972
Profit for the year	—	1,681	1,681	582	2,263
Actuarial loss on Defined benefit plan	—	(22)	(22)	—	(22)
Total comprehensive income for the year	—	1,659	1,659	582	2,241
Additions to existing NCI	—	130	130	170	300
Disposals of existing NCI	—	—	—	(472)	(472)
Distribution to NCI	—	—	—	(23)	(23)
Changes to NCI	—	(286)	(286)	286	—
Balance at 30 September 2014	16,362	1,591	17,953	6,065	24,018
Profit for the year	—	2,616	2,616	854	3,470
Actuarial gain on defined benefit plan	—	66	66	24	90
Total comprehensive income for the year	—	2,682	2,682	878	3,560
Additions to existing NCI	—	607	607	893	1,500
Disposals of existing NCI	—	(7)	(7)	(9)	(16)
Balance at 30 September 2015	**16,362**	**4,873**	**21,235**	**7,827**	**29,062**

Servest Limited

Company statement of changes in equity for the year ended 30 September 2015

	Share capital	Retained losses	Total equity
	£'000	£'000	£'000
Balance at 1 October 2013	16,362	(4,760)	11,602
Profit for the year	—	19	19
Balance at 30 September 2014	16,362	(4,741)	11,621
Loss for the year	—	(13)	(13)
Balance at 30 September 2015	**16,362**	**(4,754)**	**11,608**

Servest Limited

Consolidated statement of cash flows for the year ended 30 September 2015

	Note	2015	2014
		£'000	**£'000**
Cash flows from operating activities			
Cash receipts from customers		**233,749**	211,229
Cash paid to suppliers and employees		**(225,318)**	(204,602)
Cash generated from operations		**8,431**	6,627
Interest received		**—**	1
Interest paid		**(7,110)**	(2,435)
Income taxes paid		**(1,069)**	(1,149)
Net cash from operating activities		**252**	3,044
Cash flow from investing activities			
Purchase of property, plant and equipment		**(6,432)**	(5,304)
Proceeds from the sale of equipment		**140**	226
Decrease in loans due to parent companies		**—**	(2,840)
Payment of deferred consideration		**(2,221)**	—
Payment of deferred share option		**(7,013)**	—
Acquisitions of subsidiaries (net of cash acquired)		**(3,763)**	(613)
Net cash used in investing activities		**(19,289)**	(8,531)
Cash flows from financing activities			
Increase in long term borrowings		**10,000**	42,017
Finance costs		**(265)**	—
Proceeds from the issue of share capital in the subsidiary		**—**	160
Repurchase of non-controlling interest shares in subsidiary		**(16)**	(472)
Dividends paid to non-controlling interests		**—**	(23)
Long term liabilities repaid		**(2,024)**	(5,984)
Net cash from financing activities		**7,695**	35,698
Net (decrease)/increase in cash and cash equivalents		**(11,342)**	30,211
Cash and cash equivalents at beginning of period		**27,292**	(2,919)
Cash and cash equivalents at end of period	26	**15,950**	27,292

Servest Limited

Company statement of cash flows for the year ended 30 September 2015

	Note	2015	2014
		£'000	**£'000**
Cash flows from operating activities			
Cash receipts from customers		**13**	66
Cash paid to suppliers and employees		**11**	(62)
Cash generated from operations		**24**	4
Interest received		**—**	55
Interest paid		**—**	(117)
Net cash used in operating activities		**24**	(58)
Cash flow from investing activities			
Dividend received		**—**	42
Proceeds from redemption of preference shares in subsidiary		**—**	1,168
Net cash from investing activities		**—**	1,210
Cash flows from financing activities			
Increase in long term borrowings		**—**	1,649
Decrease in amounts due to parent undertakings		**—**	(2,809)
Net cash used in financing activities		**—**	(1,260)
Net increase/(decrease) in cash and cash equivalents		**24**	(8)
Cash and cash equivalents at beginning of period		**35**	43
Cash and cash equivalents at end of period	26	**59**	35

Notes to financial statements for the year ended 30 September 2015

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Net defined benefit pension scheme asset

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

A separate Income statement for the parent company has not been presented as permitted by section 408 of the Companies Act 2006. The parent company made a loss of £13,000 (2014: profit of £19,000).

Amounts are rounded to the nearest thousand, unless otherwise stated.

1.2 Standards and interpretations issued but not yet applied

At the year end, the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

	EU Effective date
Amendments to IAS 19—Defined Benefit Plans—Employee Contribution	01 February 2015
Annual Improvements to IFRSs (2010-2012 cycle)	01 February 2015
Annual Improvements to IFRSs (2011-2013 cycle)	01 January 2015

The directors are currently assessing the impact of these changes to Accounting Standards, but do not believe they will have a significant impact on the Group's financial statements.

1.3 New standards, interpretations and amendments effective in these financial statements

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2014, have been adopted in these financial statements. The adoption of the below mentioned standards, amendments and interpretations in the current year are not considered by the directors to have had a material impact on the Group's financial statements. Note: not all new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2014 effect the group's annual consolidated financial statements.

	EU Effective date
IFRS 10 Consolidated Financial Statements	01 January 2014
IFRS 11 Joint Arrangements	01 January 2014
IFRS 12 Disclosure of Interests in Other Entities	01 January 2014
IAS 27 Separate Financial Statements	01 January 2014
IAS 28 Investments in Associates and Joint Ventures	01 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12—Transitional Guidance	01 January 2014

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment Entities	01 January 2014
Amendments to IAS 32—Offsetting Financial Assets and Financial Liabilities	01 January 2014
Amendments to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting	01 January 2014
Amendments to IAS 36—Recoverable Amount Disclosures for Non-Financial Assets	01 January 2014
IFRIC 21 Levies	17 June 2014

2. Accounting policies

2.1 Consolidation

Subsidiaries are all entities over which the group has the 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 the control ceases. Non-controlling interests are recognised on subsidiaries where the group does not have 100% ownership.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

2.2 Goodwill

Goodwill on acquisitions comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. 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.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

2.3 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 income statement as incurred.

Where a business combination is achieved in stages, previously held interests 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 income statement.

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 this 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.

2.4 Intangible assets

Other intangible assets are shown at cost less accumulated amortisation and impairment losses.

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

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

- Customer base and reputation: 10 years
- Development costs: 10 years
- Regional licences: 20 years

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

2.5 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.

- Improvement to leasehold property: Over the period of the lease
- Plant and machinery: 2 - 5 years
- Office & computer equipment & software: 2 - 10 years
- Motor vehicles: 4 - 5 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 income statement.

2.6 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.

For goodwill the recoverable amount is estimated 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.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations 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 income statement.

2.7 Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

2.7.1 Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

2.7.2 Cash and cash equivalents

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

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

2.7.3 Trade 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.

2.7.4 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.

2.8 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 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 other comprehensive income.

2.9 Revenue

Revenue is recognised by the group, exclusive of Value Added Tax and trade discounts.

Facilities Management, Cleaning, Catering, Energy and Pest

Revenue relates to goods and services supplied during the year and is recognised in the month that service is delivered. Revenue in respect of reimbursement of contract start up costs is matched to those costs.

Security

Revenue relates to guarding services and support services such as installations of Access Control Systems or hired CCTV and Biometric equipment. Revenue from guarding is recognised in the month that the service is delivered. Revenue from installations of Access Control Systems is recognised on the completion of the installation and revenue from hired CCTV and Biometric equipment is recognised at the commencement of each non-cancellable rental period.

Building Services

Revenue relates to maintenance services provided, including those works undertaken but not yet invoiced as at the period end. Revenue is recognised in the month that the service is delivered.

Mobilisation costs

For large or complex contracts, mobilisation costs incurred during the initial stages of the contract are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract on a straight-line basis. If the contract becomes loss making, any unamortised costs are written off immediately.

Uninvoiced amounts at the year end are included in debtors as accrued income.

2.10 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.

2.11 Investments

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

2. Accounting policies

2.12 Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as property, plant and equipment. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a cons tant periodic rate of charge on the net obligation outstanding in each period.

2.13 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalised as part of the costs of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

2.15 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 interests 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 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 is 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 income statement.

Deferred tax assets and deferred tax 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.

3. Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Key sources of estimation uncertainty

Defined benefit pension scheme—Refer to note 23 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Goodwill—Goodwill is assessed for impairment at each statement of financial position date.

Fair value accounting on acquisition—The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgements to select a variety of methods and makes assumptions that are mainly based on market conditions.

Depreciation—Depreciation is charged at varying rates and at varying bases to write off the property, plant and equipment down to its residual value over the estimated useful lives.

Amortisation—Amortisation is charged on a straight line basis over the estimated useful lives of the intangible assets which are assessed based upon the historical customer relationships held and the reputations built up in the market place.

4. Revenue

	2015	2014
	£'000	£'000
The group's revenue comprises:		
Services rendered	**204,980**	180,894
Goods sold	**34,532**	34,476
	239,512	215,270

5. Operating profit

	2015	2014
	£'000	£'000
Group operating profit for the year is stated after the following:		
Staff costs (note 7)	**166,605**	145,490
Depreciation		
—owned by the group	**4,230**	2,476
—held under finance leases	**1,029**	280
Amortisation of other intangible assets	**2,903**	2,742
Operating lease rentals		
—plant and machinery	**1,014**	1,858
—other operating leases	**749**	659
Loss on disposals of property, plant and equipment	**4**	22

6. Auditor's remuneration

	2015	2014
	£'000	£'000
Fees payable to the group's auditor for the audit of the group's annual financial statements	**11**	9
Fees payable to the group's auditor and its associates for other services:		
The audit of the group's subsidiaries, pursuant to legislation	**163**	113
Tax services	**22**	26
Services relating to corporate finance transactions	**50**	8
All other services	**4**	21

7. Staff costs

	2015	2014
	£'000	**£'000**
Staff costs comprised:		
Wages and salaries	**157,190**	**137,484**
Social security costs	**8,616**	**7,115**
Pension costs—defined contribution schemes	**701**	**796**
Pension costs—defined benefit scheme	**98**	**95**
	166,605	**145,490**

The average number of employees, including directors, can be categorised as follows:

	2015	2014
Direct staff	**17,566**	15,980
Administration & Management employees	**618**	586
Directors	**3**	3
	18,187	16,569

Directors' Remuneration

	2015	2014
	£'000	**£'000**
Emoluments	**309**	255
Pension contributions	**10**	10
	319	265

The number of directors to whom retirement benefits are accruing is 1 (2014:1).

The highest paid director received remuneration of £174,000 (2014—£168,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2014—£10,000).

The highest paid director has not exercised any share options nor are they entitled to receive any shares under long term incentive schemes.

8. Exceptional items & acquisition costs

	2015	2014
	£'000	**£'000**
Discount on settlement of deferred consideration	**(2,479)**	—
Acquisition costs	**683**	187
Redundancy and other costs	**—**	1,270
Account settlement write off	**—**	212
	(1,796)	1,669

During the current year discount was negotiated on deferred consideration of £2,479,000 (2014: £Nil) and acquisition costs of £683,000 (2014: £187,000) were incurred. In addition, there were £Nil (2014: £1,270,000) of redundancy payments made to employees and £Nil (2014: £212,000) of costs written off on final account settlement with a customer of Servest Facilities Services Limited.

9. Finance costs

	2015	2014
	£'000	**£'000**
Interest on bank loans and overdrafts	**6,731**	3,992
Loan note interest	**77**	192
Interest payable on finance leases and hire purchase contracts	**275**	73

Other finance costs	**572**	763
Fair value gains on financial instruments	**—**	(44)
Interest payable on loans from group undertakings	**21**	117
	7,676	5,093

10. Income tax expense

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax	**609**	1,095
Adjustments in respect of prior periods	**(85)**	(261)
Deferred tax:		
Current year	**(1,287)**	(394)
	(763)	440

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.5% (2014: 22%). The differences are explained below:

	2015	2014
	£'000	£'000
The tax charge for the year can be reconciled to the profit for the year as follows:		
Profit before tax (excluding associate's share of profits)	**2,707**	2,703
Tax calculated at domestic tax rates applicable	**555**	595
Non-deductible expenses	**—**	129
Deferred tax effect of change in taxation rates	**(1,343)**	(30)
Non-taxable income	**—**	(9)
Adjustments to tax charge in respect of the prior year	**(85)**	(261)
Other differences leading to a decrease in the tax charge	**54**	(18)
Deferred tax movement on defined benefit scheme	**56**	34
Tax expense	**(763)**	440

Factors that affect tax charges in the current year

As of 1 April 2015 the prevailing UK tax rates applicable to large companies reduced from 21% to 20%. The Finance Act 2014, which provides for a reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

Factors that may affect future tax charges

At 30 September 2015 the group had taxable losses of approximately £336,000 available for offset against future taxable profits. The decision has been taken not to recognise a deferred taxation asset of £67,200 in the financial statements for the year ended 30 September 2015 as the group does not currently have a formalised strategy in place for the utilisation of these losses.

11. Property, plant and equipment

GROUP	Improvement to leasehold property	Plant and machinery	Motor vehicles	Office & computer equipment & software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Opening cost at 1 October 2013	501	6,617	349	1,738	9,205
Additions	78	4,726	2,358	2,367	9,521
Disposals	—	(42)	(312)	—	(354)
Opening cost at 1 October 2014	579	11,301	2,395	4,105	18,380
Acquired	—	44	174	106	324
Additions	238	5,705	3,036	2,392	11,371

Disposals	—	(1,204)	(31)	(66)	(1,301)
Transfer to intangible assets	—	—	—	(443)	(443)
Transfer between asset categories	—	(155)	155	—	—
Closing cost at 30 September 2015	**817**	**15,691**	**5,729**	**6,094**	**28,331**
Accumulated depreciation					
Opening balance at 1 October 2013	(118)	(2,368)	(32)	(580)	(3,098)
Charge for the year	(90)	(1,774)	(160)	(732)	(2,756)
Disposals	—	19	87	—	106
Opening balance at 1 October 2014	(208)	(4,123)	(105)	(1,312)	(5,748)
Charge for the year	(108)	(2,736)	(1,258)	(1,157)	(5,259)
Disposals	—	1,097	5	53	1,155
Transfer between asset categories	—	149	(149)	—	—
Closing balance at 30 September 2015	**(316)**	**(5,613)**	**(1,507)**	**(2,416)**	**(9,852)**
Net book value at 30 September 2014	371	7,178	2,290	2,793	12,632
Closing carrying value at 30 September 2015	**501**	**10,078**	**4,222**	**3,678**	**18,479**

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases:

Group	2015	2014
	£'000	£'000
Plant and machinery	**4,722**	2,460
Motor vehicles	**3,741**	1,433
Computer equipment	**190**	223
	8,653	4,116

12. Goodwill

GROUP	£'000
Cost	
Opening cost at 1 October 2013	42,380
Recognised on acquisition of subsidiaries	567
Closing cost at 30 September 2014	42,947
Opening cost at 1 October 2014	42,947
Recognised on acquisition of subsidiaries	3,752
Closing cost at 30 September 2015	46,699
	£'000
Opening carrying value at 1 October 2014	42,947
Closing carrying value at 30 September 2015	46,699

There are £Nil accumulated impairment losses (2014: £Nil).

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

The goodwill associated with the group's Cleaning operation is £11,615,000, the Security operation is £8,389,000, the Catering operation is £15,744,000, the Building Services operation is £7,351,000, the Pest operation £2,063,000 and the Energy operation if £1,537,000. The recoverable amount of all of the group's operations CGU's 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 market place.

The key assumptions used for value in use calculations were growth rates of approximately 10% across the group (2014: 6%). The value in use calculations use a pre tax discount rate of 10% (2014: pre tax discount rate of 15%). 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 market place. The pre tax discount rate is based on the group's weighted average cost of capital adjusted for specific risks relating to the relevant sector.

If the long term growth rates across the CGU's were to reduce to 8% or the discount rate were to increase to 12% there would still be no indication of impairment.

13. Intangible assets

GROUP	Development costs	Customer base& reputation	Regional licences	Total
	£'000	£'000	£'000	£'000
Cost				
Opening cost at 1 October 2013	—	26,328	541	26,869
Acquired through business combination	—	755	—	755
Opening cost at 1 October 2014	—	27,083	541	27,624
Acquired through business combination	87	3,241	—	3,328
Additions	983	—	—	983
Closing cost at 30 September 2015	**1,070**	**30,324**	**541**	**31,935**
Accumulated amortisation				
Opening balance at 1 October 2013	—	4,467	180	4,647
Amortisation	—	2,708	34	2,742
Opening balance at 1 October 2014	—	7,175	214	7,389
Amortisation	100	2,769	34	2,903
Closing balance at 30 September 2015	**100**	**9,944**	**248**	**10,292**
Opening carrying value at 1 October 2014	—	19,908	327	20,235
Closing carrying value at 30 September 2015	**970**	**20,380**	**293**	**21,643**

The average remaining amortisation periods at 30 September 2015 are:

Regional licences: 9 years
Development costs: 10 years
Customer base and reputation: 7 years

14. Investments

14.1 Investment in subsidiaries

COMPANY

	2015	2014
	£'000	£'000
At the beginning of the year	**11,968**	13,136
Disposals in the year	**—**	(1,168)
At end of the year	**11,968**	11,968

The disposal in the prior year relates to share transactions which took place in Servest Group Limited, the company's subsidiary. There have been some further share issues which have taken place in Servest Group Limited, and this has resulted in the proportion of ownership in this company decreasing from 75.14% at 30 September 2014 to 73.15% at 30 September 2015.

The principal subsidiaries of Servest Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Class of shares held	Proportion of ownership interest	Principal Activities
Servest Group Holdings Limited	Ordinary	73.15%	Dormant holding company
Servest Group Limited*	Ordinary	73.15%	Holding company which trades significantly within the facilities sector and performs the group administrative function
Servest (Commercial & Public Sector) Limited*	Ordinary	73.15%	Facilities provider
Servest Security Services Limited*	Ordinary	73.15%	Security services
Servest Catering Limited*	Ordinary	73.15%	Catering services
Servest Building Services Limited*	Ordinary	73.15%	Maintenance services
Servest Facilities Services Limited*	Ordinary	73.15%	Maintenance services
Servest Pest Patrol Limited (formerly Pest Patrol Limited)*	Ordinary	73.15%	Pest patrol services
Imrie Stewart Limited*	Ordinary	73.15%	Dormant Company
MS Fire Limited*	Ordinary	73.15%	Dormant Company
Llewellyn Smith Holdings Limited*	Ordinary	73.15%	Dormant holding company
Llewellyn Smith Surveyors Limited*	Ordinary	73.15%	Dormant company
Llewellyn Smith Limited*	Ordinary	73.15%	Energy services

All of the subsidiary undertakings were incorporated in England and Wales.

* denotes indirect holding

15. Inventories

GROUP

	2015	2014
	£'000	£'000
Consumables	**4,376**	3,246

The total cost of consumables expensed in the year and included within cost of sales is £28,526,000 (2014-£27,901,000).

16. Trade receivables

GROUP

	2015	2014
	£'000	£'000
Trade receivables	**27,901**	21,766
Provision for doubtful debts	**(367)**	(136)
	27,534	21,630

The company had no trade receivables.

17. Other receivables

GROUP

	2015	2014
	£'000	£'000
Other receivables	**1,374**	1,512
Prepayments	**3,807**	1,873
Accrued income	**11,591**	9,310
	16,772	12,695

COMPANY

	2015	2014
	£'000	£'000
Other receivables	**6**	—
Amounts owed by group undertakings	**14**	33
	20	33

18. Business combinations

18.1 Current year acquisitions

During the year ended 30 September 2015, the group acquired 100% of the voting equity instruments of the following:

Company name	Date of acquisition	Nature of business
Pest Patrol Limited	9 February 2015	Provision of pest patrol services
Llewellyn Smith Holdings Limited	30 July 2015	Provision of energy compliance services

This acquisition formed a business combination and therefore has been accounted for under IFRS 3.

The purpose of the acquisitions were to:

- expand the UK market area of the Group
- expand on the services provided to incorporate a national reactive maintenance capability
- acquire complimentary service lines to continue to expand the UK operations
- reduce the customer concentration risk within the Group
- enhances ability to provide comprehensive FM contracts

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

Details of the fair value of identifiable assets and liabilities acquired are as follows:

Acquisition of Pest Patrol Limited	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Trade and other receivables	128	—	**128**
Property, plant and equipment	118	—	**118**
Cash at bank	19	—	**19**
Provisions for liabilities	(3)	—	**(3)**
Intangibles customer contracts and reputation	—	127	**127**
Trade and other payables	(994)	—	**(994)**
Deferred tax liability on intangibles	—	(25)	**(25)**
	(732)	102	**(630)**

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

	£'000
Cash	1,033
Contingent consideration	400
Net liabilities acquired	630
Goodwill (see note 12)	**2,063**

The goodwill recognised will not be deductible for tax purposes.

The fair value of contingent consideration is £400,000, the consideration is contingent based on EBITDA earnout targets being achieved in the year ended 30 September 2016. The maximum payment of contingent consideration is £400,000.

The business acquired contributed £1,165,000 to the Servest Limited group revenue in the year ended 30 September 2015. The effect on the net profit for the year since the acquisition date to their first-time consolidation was £270,000. Had this business combination been effective for the full year, the revenue and loss associated with it would been £1,160,000 and £527,000 respectively.

Acquisition of Llewellyn Smith Holdings Limited	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Trade and other receivables	342	—	**342**
Stock and work in progress	91	—	**91**
Property, plant and equipment	292	—	**292**
Intangibles customer contracts and reputation	—	3,114	**3,114**
Trade and other payables	(635)	—	**(635)**
Cash and cash equivalents	481	—	**481**
Deferred tax liability on intangibles	—	(623)	**(623)**
	571	2,491	**3,062**

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

	£'000
Cash	3,060
Contingent consideration	1,040
Shares consideration	500
Net assets acquired	(3,062)
Goodwill (see note 12)	**1,538**

The goodwill recognised will not be deductible for tax purposes.

As part of the consideration paid to acquire Llewellyn Smith Holdings Limited, 1,545,485 Ordinary shares were issued in Servest Group Holdings Limited at a value of £500,000. The fair value of the shares was measured by reference to the directors' value of the wider group.

The fair value of contingent consideration is £1,040,000, the consideration is contingent based on EBITDA earnout targets being achieved in the year ended 30 September 2018. The maximum payment of contingent consideration is £10,000.000.

The business acquired contributed £1,359,000 to the Servest Limited group revenue in the year ended 30 September 2015. The effect on the net profit for the year since the acquisition date to their first-time consolidation was £126,000. Had this business combination been effective for the full year, the revenue and loss associated with it would been £4,104,000 and £170,000 respectively.

During the year ended 30 September 2015, the group also acquired the trade and assets of a Facilities Maintenance Limited for £151,000.

Other costs relating to the acquisitions of the subsidiaries have not been included in the consideration and have been recognised as an expense within administrative expenses (see note 8).

19. Trade and other payables

GROUP

	2015	2014
	£'000	£'000
Current		
Accrued expenses and deferred income	**11,114**	9,725
Other payables	**17,216**	13,822
Deferred consideration and deferred share option payment	**—**	9,232
Contingent consideration	**—**	3,480
Trade payables	**11,053**	11,563
	39,383	47,822

	2015	2014
	£'000	£'000
Non-current—other payables		
Contingent consideration	**1,440**	—
	1,440	—

COMPANY	2015	2014
	£'000	£'000
Accrued expenses and deferred income	**16**	17
Other payables	**3**	—
	19	17

20. Borrowings

GROUP		2015	2014
		£'000	**£'000**
Non-current			
Pension plan investment board loan	(a)	**68,781**	58,475
Other loans	(b)	**1,000**	1,000
Other loans owed to shareholders	(c)	**420**	398
		70,201	59,873

(a) The pension plan investment board loan is secured via a debenture package and a charge over all assets of Servest Group Limited and its subsidiaries, which form the UK Group.

The loan is repayable in one bullet payment at the end of the term in May 2021.

The loan bears interest at a fixed rate of 8.875%.

(b) The other loan is repayable in May 2021.

The loan bears interest at a fixed rate of 8%.

(c) The other loans owed to shareholders are not repayable before 31 October 2016.

The loans bear interest at 5.0% above the HSBC Bank Plc base rate p.a. (2014: 5.0% above HSBC Bank Plc base rate p.a.).

COMPANY	2015	2014
	£'000	**£'000**
Non-current		
Other loans owed to group undertakings	**420**	398
	420	398

The other loans owed to shareholders are not repayable before 31 October 2016.

The loans bear interest at 5.0% above the HSBC Bank Plc base rate p.a. (2014: 5.0% above HSBC Bank Plc base rate p.a.).

21. Finance lease liabilities

	2015	2014
	£'000	**£'000**
Gross finance lease liabilities—minimum lease payments:		
Not later than 1 year	**2,699**	1,272
Later than 1 year and no later than 5 years	**5,197**	2,654
Later than 5 years	**—**	—
	7,896	3,926
Future finance charges on finance leases	**(524)**	(271)
Present value of finance lease liabilities	**7,372**	3,655
The present value of finance lease liabilities is analysed as follows:		
Not later than 1 year	**2,477**	1,120
Later than 1 year and no later than 5 years	**4,895**	2,535
	7,372	3,655

Finance leases and hire purchases are secured over plant and equipment as disclosed in note 11. These assets will revert back to the lessor in the event of a default.

22. Deferred tax

GROUP	2015	2014
	£'000	**£'000**

	2015	2014
Deferred tax liabilities	**(4,563)**	(5,158)
Deferred tax liabilities comprise:		
Fixed asset timing differences	**(348)**	(273)
Deferred tax liability on intangibles acquired on business combination	**(4,076)**	(4,777)
Deferred tax on defined benefit pension scheme surplus	**(139)**	(83)
Deferred tax on provisions and other items	**—**	(25)
	(4,563)	(5,158)

GROUP	**Customer lists/ intangibles**	**Fixed asset and other timing differences**	**Deferred tax on defined benefit pension scheme surplus**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Deferred tax assets & liabilities:				
Balance at 1 October 2013	(5,265)	(84)	(49)	(5,398)
Deferred tax liability recognised on acquisition of subsidiaries	(159)	—	—	(159)
Recognised in the income statement	647	(214)	(39)	394
Recognised in the statement of comprehensive income	—	—	5	5
Balance at 1 October 2014	(4,777)	(298)	(83)	(5,158)
Deferred tax liability recognised on acquisition of subsidiaries	(648)	(18)	—	(666)
Recognised in the income statement	1,349	(32)	(30)	1,287
Recognised in the statement of comprehensive income	—	—	(26)	(26)
Balance at 30 September 2015	**(4,076)**	**(348)**	**(139)**	**(4,563)**

23. Retirement benefit obligations

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

Defined contribution schemes

	2015	**2014**
	£'000	**£'000**
Amount recognised as an expense	**701**	**805**

Defined benefit schemes

The group operates a final salary defined benefit pension scheme.

The scheme provides employees with a pension benefit based on final pensionable pay. The scheme is funded by the company and employees. Contributions by the company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement.

The 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 interests of participants to the schemes and has the responsibility of setting investment, contribution, and other relevant policies.

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

- *Investment risk:* Investment returns on the schemes assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of scheme liabilities.

- *Interest rate risk:* movement in discount rate used (high quality corporate bonds) will change the defined benefit obligation.

- *Longevity risk:* Scheme members may live longer than assumed, for example due to unanticipated advance in medical healthcare.

- *Salary risk:* increase in future salaries increase the gross defined benefit obligation.

- Legislative changes could also lead to an increase in scheme liabilities.

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

There are currently on going discussions within group about the level of employer contributions to be paid in the future, including those over the next financial year. The contributions in the year ended September 2015 were £231,000, which was a reduction from the previous year. As a result of the net pension asset, it is likely to reduce future contributions at some stage. We currently estimate contributions will be in the region of £200,000 in the year ended September 2016, as a result of which the directors consider it appropriate to recognise a defined pension scheme asset as at 30 September 2015.

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

	Defined benefit pension plans	
	2015	**2014**
	£'000	**£'000**
Present value of funded obligations	**(877)**	(849)
Fair value of plan assets	**1,573**	1,274
	696	425

Movement in net defined benefit asset:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit Asset	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening position at 1 October	**(849)**	(697)	**1,274**	909	**425**	212
Service cost and Interest						
Current service cost	**(98)**	(95)	**—**	—	**(98)**	(95)
Interest (cost)/income on defined benefit obligation	**(36)**	(33)	**58**	51	**22**	18
Total defined benefit gain/(cost) recognised in profit or loss	**(134)**	(128)	**58**	51	**(76)**	(77)
Remeasurement loss/(gain)						
Actuarial loss/(gain) from:						
—Financial assumptions	**(88)**	(35)	**—**	—	**(88)**	(35)
—Adjustments (experience)	**194**	18	**10**	(10)	**201**	18
Included in other comprehensive income	**106**	(17)	**10**	(10)	**116**	(27)
Total defined benefit gain/(cost)	**(28)**	(145)	**68**	41	**40**	(104)
Cashflows						
Employer contributions	**—**	—	**231**	317	**231**	317
Employee contributions	**(6)**	(7)	**6**	7	**—**	—
Benefits paid	**6**	—	**(6)**	—	**—**	—
	—	(7)	**231**	324	**231**	317
Closing position at 30 September	**(877)**	(849)	**1,573**	1,274	**696**	425

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 asset is disaggregate:

	2015	2014
	£'000	**£'000**
Cash and cash equivalents	**192**	17
Equity instruments	**688**	553
Gilts	**456**	257
Corporate Bonds	**20**	279
Property and other assets	**217**	168
	1,573	1,274

All equity securities and government bonds are quoted prices in active markets. All government and corporate bonds are issued by European governments and institutions and are AAA or AA rated. All other plan assets are not quoted in an active market.

23. Retirement benefit obligations

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

	2015	2014
	%	**%**
Discount rate at 30 September	**3.7**	4.0
Future salary increases	**3.1**	3.2
Future pension increases	**3.1**	3.2
Proportion of employees opting for early retirement	**3.1**	3.2
Retail price inflation	**3.1**	3.2
Longevity at retirement age (current pensioners)		
—Males	**20.7**	20.7
—Females	**22.8**	22.7
Longevity at retirement age (future pensioners)		
—Males	**22.1**	22.2
—Females	**24.2**	24.2

Sensitivity analysis:

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

Actuarial assumption	Reasonably possible change	2015
		£'000
Discount rate	0.5%	**88**
Salary increases	0.5%	**27**
Inflation	0.5%	**62**
Future mortality rates	1 year	**27**

24. Share capital

	2015	2014
	£'000	**£'000**
Issued and fully paid for:		
13,121,602 A ordinary shares of £1 each	**13,122**	13,122
3,240,137 B ordinary shares of £1 each	**3,240**	3,240
	16,362	16,362
Authorised:		
A ordinary shares of £1 each	**50,000**	50,000
B ordinary shares of £1 each	**50,000**	50,000
	100,000	100,000

Holders of the B Ordinary shares do not have the right to receive notice of or to attend or vote at any General Meeting of the company, nor are they entitled to receive any distribution of profits or dividend. Upon a winding up or on any reduction in capital in which a repayment of capital is made, the aggregate return relating to all of the B Ordinary shares shall be limited to £1, and upon any transfer of B Ordinary shares, the aggregate purchase monies to be attributed to all of the B Ordinary shares shall be limited to £1.

The A Ordinary shares and B Ordinary shares rank pari passu in all other respects.

25. Ultimate Parent Undertaking and Controlling Party

The ultimate parent company and the head of the largest group for which consolidated accounts are drawn up is Servest Group Proprietary Limited, a company incorporated in South Africa.

In the opinion of the directors' there is no ultimate controlling party.

26. Notes to the statement of cash flows

26.1 Significant non-cash transactions

During the year the Group acquired property, plant and equipment with total cost of £11,371,000 of which £5,479,000 were acquired by means of finance leases. Finance leases and hire purchase are secured on the assets to which they relate.

During the year £571,000 was recognised in the statement of profit and loss for debt cost which are amortised over the duration for which the debt is held.

During the year the group acquired subsidiaries of which £500,000 of the consideration was by means of a share issue from Servest Group Holdings Limited. A further £1,000,000 of shares were issued as part of the agreed settlement of the deferred consideration relating to an acquisition completed in a previous year.

26.2 Cash and cash equivalents

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

GROUP	2015	2014
	£'000	£'000
Cash in hand	1,374	766
Balances with banks	14,576	26,526
Cash and cash equivalents	15,950	27,292

COMPANY	2015	2014
	£'000	£'000
Balance with banks	59	35
Cash and cash equivalents	59	35

27. Operating lease commitments

GROUP

	2015		2014	
	Land and buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
As a lessee:				
Future minimum lease payments under non-cancellable operating leases:				
Within one year	**611**	**516**	372	832
From one to five years	**1,525**	**79**	542	784

After five years	**1,255**	**—**	—	—

Lease payments recognised in the profit for the period amounted to £1,762,000 (2014: £2,517,000).

The Group has a number of leased properties. The terms of property leases vary from site to site, although they all tend to be tenant repairing with rent reviews at least every 5 years and many have break clauses.

28. Related parties

	Sales of goods / services		**Interest payable / (receivable)**		**Short-term employee benefits**		**Amounts owed (to) / by related party**	
Relationship	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Servest Group Limited, subsidiary	**60^**	60^	**—**	(56)^	—	—	**14**	33
Servest Proprietary Limited, parent	**—**	—	**12***	67*	—	—	**(222)***	(234)*
Corvest 6 Proprietary Limited, minority shareholder	**—**	—	**9***	50*	—	—	**(173)***	(164)*
GSH Investments Limited, minority shareholder	**—**	—	**—**	—	—	—	**(25)***	—
Key management remuneration	**—**	—	**—**	—	319<	265<	**—**	—

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

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

< Where indicated above, these amounts are related party transactions at group level only.

Amounts owed to and by related parties, excluding the balances with Servest Proprietary Limited, GSH Investments and Corvest 6 Proprietary Limited, are unsecured, interest-free, and have no fixed terms of repayment.

At the year end there is an outstanding management share loan with P Morris, a director of the company, of £29,000 (2014: £29,000).

29. Financial instruments

29.1 Classes and fair value of financial instruments

	2015		**2014**	
GROUP	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Trade receivables	**27,534**	**27,534**	21,630	21,630
Other receivables	**1,374**	**1,374**	1,512	1,512
Accrued income	**11,591**	**11,591**	9,310	9,310
Cash and cash equivalents	**15,950**	**15,950**	27,292	27,292
	56,449	**56,449**	59,744	59,744

All of the above items are treated as loans and receivables at amortised cost.

	2015		**As restated 2014**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Trade payables	**11,053**	**11,053**	11,563	11,563
Other payables	**6,881**	**6,881**	6,064	6,064
Contingent consideration	**1,440**	**1,440**	5,700	5,700
Accruals	**9,047**	**9,047**	7,434	7,434
Deferred share option payment	**—**	**—**	7,013	7,013
Non-current borrowings	**70,201**	**70,201**	59,873	59,873

Finance lease liability	**7,372**	**7,372**	3,655	3,655
	105,994	**105,994**	101,302	101,302

All of the above financial liabilities, except for the contingent consideration, are treated as held at amortised cost.

The prior year financial liabilities have been restated in relation to other payables to correctly include only financial liabilities.

The contingent consideration is a financial instrument held at fair value. The fair value is determined by the application of level 3 as it is not linked to quoted prices or observable market data. The value of the contingent consideration is dependent on the earn out clauses within the underlying acquisition agreements and are focussed around the companies achieving certain earnings and profitability targets. The opening contingent consideration was £5,700,000, of which £2,221,000 was paid, £1,000,000 was settled via a share issue of 3,765,208 Ordinary shares of 1/700p each in Servest Group Holdings Limited, a subsidiary company and a negotiated discount of £2,479,000 which was released to the statement of profit or loss in the year. The closing balance of £1,440,000 this year arises on the acquisitions completed in the year.

The group has no other financial instruments measured as Level 1 or 2 (2014: no such instruments) included at fair value other than those detailed above.

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

29.2 Financial risk management

The group's operations expose it to a number of financial risks, primarily credit risk and availability of capital to fund future growth. A risk management programme has been established to protect the group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

29.2.1 Credit risk

Concentrations of credit risk with respect to customers are closely monitored by the directors, and although the group has a low number of significant customers, there are also a large number of other customers in place which reduce the concentration risk to an acceptable level. The acquisitions in the year has also brought in a new customer database and has further diluted the customer concentration risk in place.

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 £14,200,000 with Lloyds Banking Group plc.

The groups maximum exposure to credit risk is:

	2015	2014
	£'000	£'000
Financial assets		
Trade receivables	**27,534**	21,630
Other current assets	**16,772**	12,695
Cash and cash equivalents	**15,950**	27,292

An analysis of trade receivables:

2015	Carrying amount	Neither impaired nor past due	Past due but not impaired	
			61-90 days	More than 91 days
	£'000	£'000	£'000	£'000
Trade receivables	27,534	23,910	995	2,629

2014	Carrying amount	Neither impaired nor past due	Past due but not impaired	
			61-90 days	More than 91 days
	£'000	£'000	£'000	£'000
Trade receivables	21,630	19,902	380	1,348

The group's debtor payment period varies depending on invoicing arrangements with customers. The average debtor payment period is 35 days (2014: 31 days). It is the group's policy to assess receivables for recoverability on an individual basis and to make provisions where it is considered necessary. In assessing recoverability, the group takes into account any indicators of impairment up until the reporting date. The application of this policy therefore results in receivables not being provided for unless individual circumstances indicate that a debt is impaired.

From following the above policy, the group made a provision against individual balances where there were doubts over the recoverability of the balances of £367,000 (2014: £137,000). The movement in the provision has gone into bad debt expense which is included in administrative expenses in the income statement.

29.2.2 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.

29.2.3 Interest rate risk

Interest rate exposure and sensitivity analysis:

2015	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
	£'000		£'000	£'000	£'000	£"000
Financial assets						
Cash and cash equivalents	15,950	0	159	128	(159)	(128)
Financial liability						
Finance leases	7,372	4.5	(74)	(59)	74	59
			85	**69**	**(85)**	**(69)**

29. Financial instruments

2014	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
	£'000		£'000	£'000	£'000	£"000
Financial assets						

Cash and cash equivalents	27,292	0	273	216	(273)	(216)
Financial liability						
Finance leases	3,655	4.5	(37)	(29)	37	29
			236	187	(236)	(187)

The pension plan investment board loan and other loans 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 at bank 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 other variables held constant, taking into account all underlying exposures and related hedges. 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

29.2.4 Liquidity risk

The group maintains sufficient cash levels to enable it to meet its liabilities as they fall due. Management review cashflow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The group has cash in hand of £15,950,000 at 30 September 2015. The average creditor payment period is 50 days (2014: 56 days).

Contractual maturity analysis for financial liabilities:

2015	**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**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other payables	34,031	3,285	—	—	—	**37,316**
Pension plan investment board loan	—	—	—	—	68,781	**68,781**
Other loans	—	—	—	420	1,000	**1,420**
Finance lease liability	206	594	1,610	4,962	—	**7,372**
	34,237	**3,879**	**1,610**	**5,382**	**69,781**	**114,889**

2014	**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**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other payables	24,338	20,278	915	—	—	45,531
Pension plan investment board loan	—	—	—	—	58,475	58,475
Other loans	—	—	—	398	1,000	1,398
Finance lease liability	93	277	761	2,524	—	3,655
	24,431	20,555	1,676	2,922	59,475	109,059

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 by the group to enable it to meet its objectives are as follows:

- The Group treasury function maintains 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 September 2016 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 Notes 20 & 21, cash per Note 26.2 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. Post balance sheet events

Subsequent to the year-end one of the company's subsidiary undertakings, Llewellyn Smith Limited incurred a material non-adjusting post balance sheet event when a significant customer was put into administration when its owners decided to exit the UK market.

The directors are unable, at this stage, to estimate with any degree of accuracy the financial impact on subsequent accounting periods, some of which may impact the carrying value in, and future contingent consideration payable by, the group.

As a result a parent company of Llewellyn Smith Limited, Servest Group Limited, has confirmed the provision of sufficient financial support to Llewellyn Smith Limited to enable it to continue trading for the foreseeable future should such support be required.