A Strong Year of **Progress**

PHS Group Investments Limited

Annual report for the year ended 31 March 2019

PHS Group is the leading hygiene services provider in the UK, Ireland and Spain.

Our team of over 3,000 expert personnel provide services to over 120,000 customers ranging from large single sites, to multi-national restaurant chains, healthcare establishments and small owner occupied shops.

'PHS Group' means PHS Group Investments Limited and its subsidiaries. Find out more about PHS Group by visiting www.phs.co.uk

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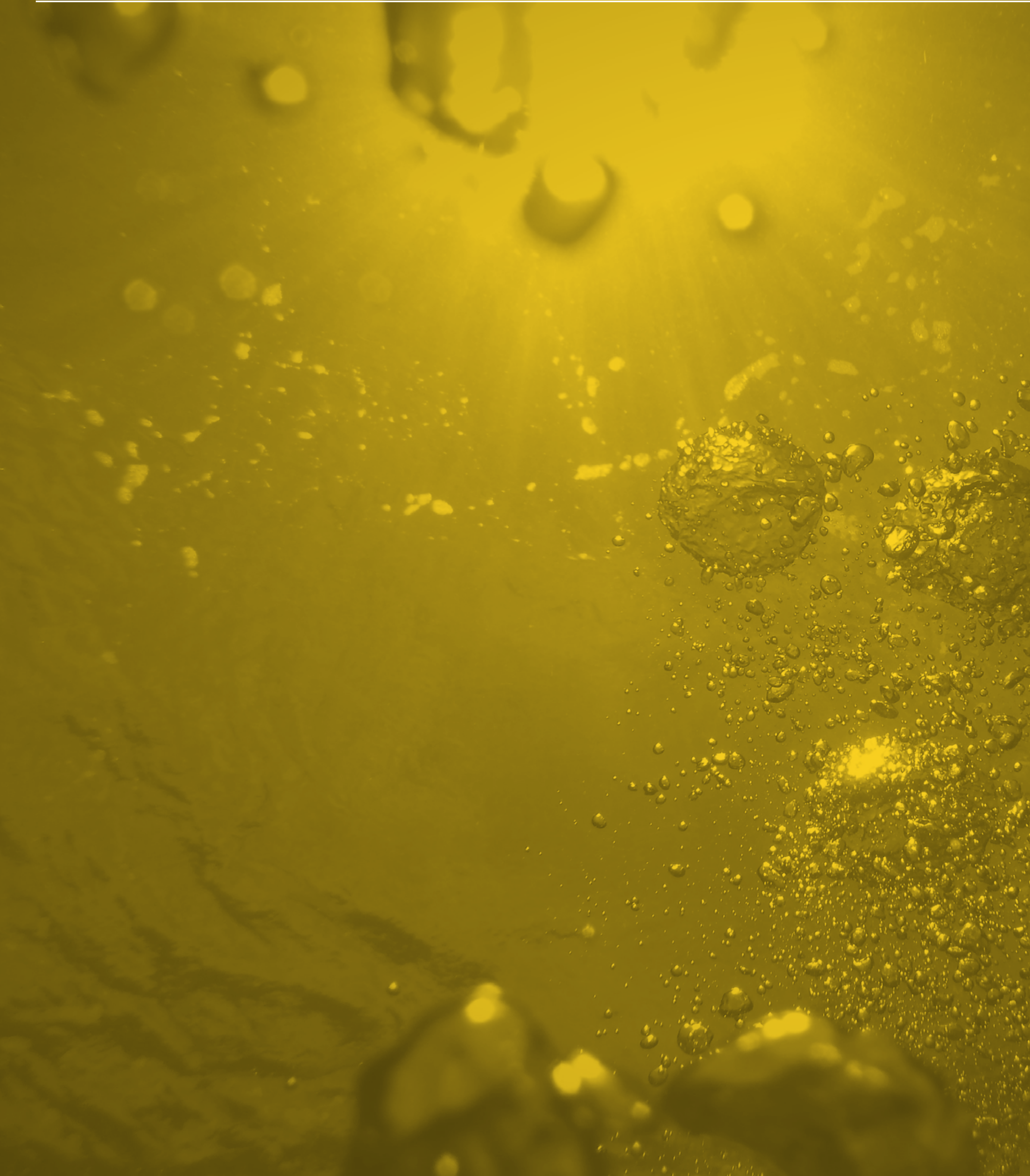


STRATEGIC REPORT

Strategic report

PHS Group overview

Financial

Turnover +1.1%

2019	**£265.0m**
2018	**£262.1m**

EBITA -15.3%

2019	**£37.5m**
2018	**£44.3m**

EBITDA -11.2%

2019	**£55.4m**
2018	**£62.4m**

EBITDA -19.9%
less capital expenditure

2019	**£35.4m**
2018	**£44.2m**

The financial results above are shown before exceptional items.

> A year of progress

New strategy

David Taylor-Smith took up the role of CEO at the beginning of the year and completed a review of strategy. Every business carried out a market assessment. The management team was strengthened. Implementation of the new strategy commenced in the second half of the year and the business has seen considerable improvement in a short space of time.

Return to growth

PHS Group recorded growth for the first time in five years, cementing its position as the market leader.

Service level improvements

Customers are benefitting from the highest levels of service delivery in the Group's history.

New business sales

During the year, the Group has delivered the highest level of new business sales in the last decade.

PHS Group at a glance

What we believe in:

Sustainability

At PHS we are committed to supporting our customers' sustainability objectives. Our products and services deliver cost savings and help to protect the environment

Well-being

We aim to improve the well-being of our customers and in turn their customers. Our products and services are designed to make customers' premises more pleasant and healthy

Value

We offer a comprehensive nationwide service; from single site businesses to major multi-site locations. Our scale and coverage means we offer great value to our customers

120,000* Customers in the UK, Ireland and Spain

3,000* expert personnel

300,000* locations

*Approximately

meeting the needs of

100+ million people

Leading service provider in

UK, Ireland and Spain

PHS Group's service offerings

Washroom hygiene

A full range of washroom services

Our team of experts provide the widest range of the most modern and effective washroom products and services. These are designed to enhance the washroom environment and help save money on water bills.

PHS Direct

Our consumables business, PHS Direct, supplies thousands of customers with a wide range of washroom consumables and products ranging from cleaning materials and paper products to hand dryer.

We supply washroom services to many sectors including:

- Pubs, restaurants and cafés
- Schools, universities and colleges
- Retail and commercial
- Healthcare
- Leisure

We make sure our customers can always access hygienic, well maintained and easy-to-use washroom facilities. These include air fresheners, hand dryers, soap dispensers, hand sanitisers, sanitary units, toilet roll and sanitary bag dispensers and surface sanitisers. This helps keep both organisations and their visitors healthy and happy.

3.6 million washroom visits a year

PHS Group's service offerings

Healthcare hygiene

Helping provide better patient care

Healthcare organisations such as hospitals, GP and dental surgeries, as well as veterinary practices have to deliver high standards of care whilst complying with stringent regulations and legislation. PHS offers a range of specialist products and services which enable the Healthcare sector to offer first-class environments for the delivery of patient care.

One example of our vital services in action is the safe and secure storage, collection and disposal of all types of healthcare waste and sharps. We also help healthcare businesses to provide welcoming waiting room areas and washrooms that meet the specific hygiene needs of patients.

We help healthcare businesses across the UK to manage their hygiene challenges

PHS Group's service offerings

Floorcare hygiene

Keeping the workplace safe and clean

Our range of mats cover all a businesses' needs. We supply, fit and launder regularly to ensure the mats are clean and work effectively.

Our services include anti-slip mats for wet areas such as entrance foyers, washrooms, changing rooms and kitchens as well as specialist anti-fatigue mats to help employees who are on their feet in one area for large parts of the working day.

We have products that can be permanently installed in buildings to complement the design as well as providing a defence mechanism at the building entrance against dirt and moisture. We can also design bespoke logo mats to enhance corporate branding.

Since 2017, all our new mats have been made with **ECONYL®** yarn. This regenerated material is derived from recovered nylon waste – such as fishing nets from the oceans and aquacultures, fabric scraps from mills, and carpets destined for landfill. This is just one of the ways we help organisations achieve and exceed their sustainability objectives, whilst at the same time reducing our own environmental impact.

100,000 service mats across UK businesses

Cleaning up the oceans with our new mats

PHS Group's service offerings

Direct365

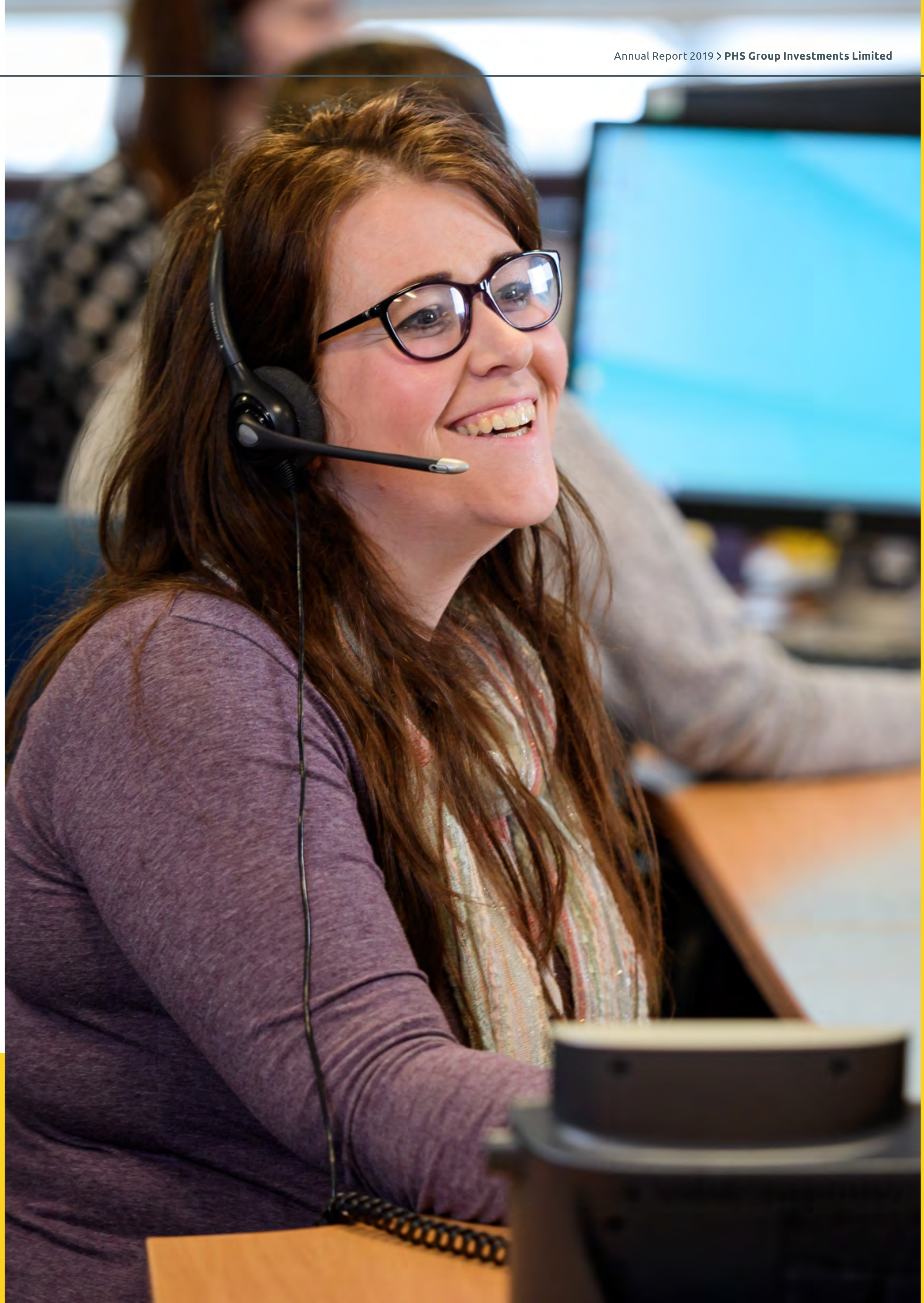
PHS's leading digital business

Direct365 is a market leading digital platform delivering workplace services and products to small businesses across the UK. It services a wide range of sectors, including retail, healthcare, education and hospitality.

Working alongside the other PHS businesses, Direct365 helps deliver the Group's services as well as providing additional services through an extensive national network of external suppliers. From commercial waste disposal and washroom hygiene to workplace products, Direct365 helps businesses meet the needs of staff and employees across the UK.

direct365
supporting you and your workplace

Direct365 are also on hand 24/7, 365 to offer customers practical advice and training, covering all aspects of a business's needs.



PHS Group's service offerings

Specialist businesses

Cost-effective outsourcing

PHS Group includes five businesses that deliver specialist workplace services to customers. All our specialist businesses are industry market leaders and complement the Hygiene UK business's main offerings. In many instances they support the same customers as our hygiene business. The route-based nature of these businesses reflects the strong heritage of PHS as a nationwide service delivery organisation.

phs Besafe

PHS Besafe provides a workwear supply and laundering service to over 3,000 sites, helping to ensure the safety and comfort of thousands of people.

phs Compliance

PHS Compliance delivers over 14 million compliance inspections for 35,000 customer sites per year across core customer markets. **PHS** Compliance is a major provider of statutory inspection and test services including, electrical and mechanical maintenance, fire and security maintenance services and project management.

phs Greenleaf

PHS Greenleaf is a Royal Warrant holding business that provides indoor and outdoor planting as well as Christmas displays to businesses throughout the UK.

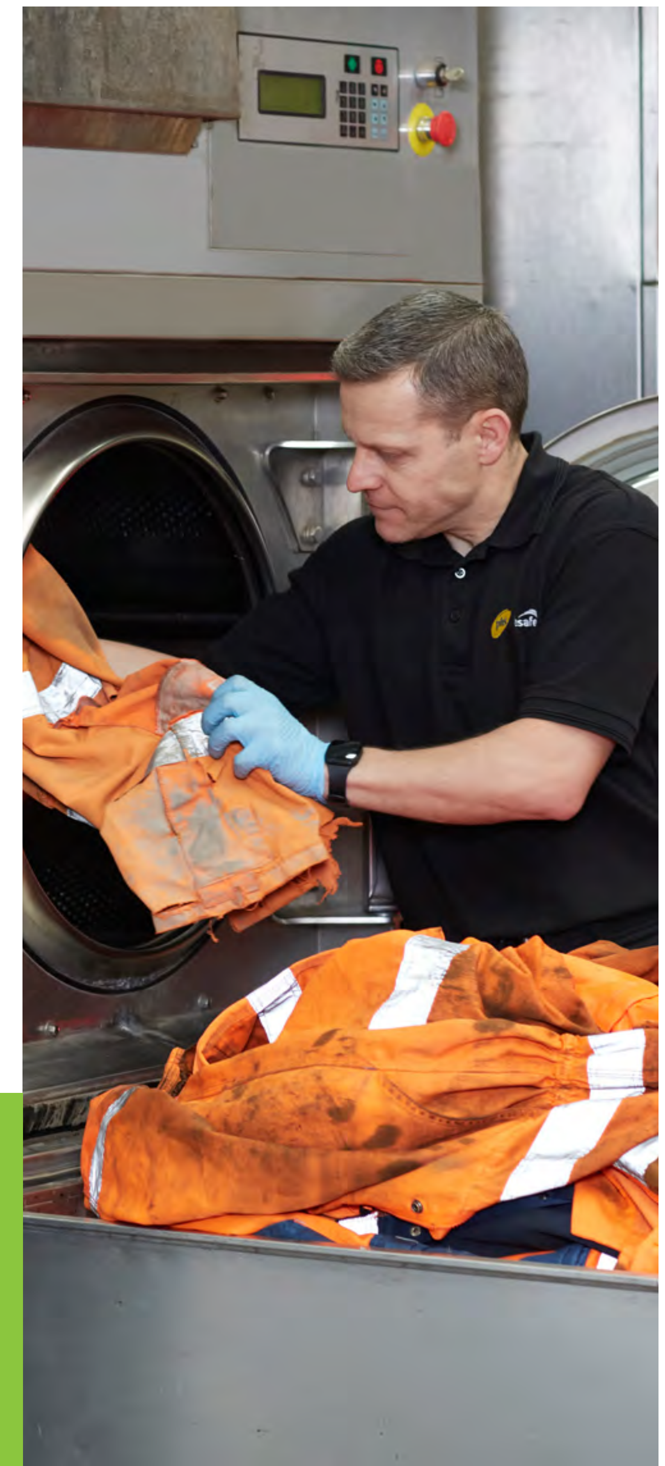
phs Teacrate

PHS Teacrate is the leading service provider of crates, handling equipment and packaging products to the food and removal sectors. It moves over 9 million crates every year.

phs Wastekit

PHS Wastekit rents and sells cardboard and plastic balers, recycling compactors and baler accessories. It works with organisations to help them develop cost effective waste handling solutions.

Our specialist services cover everything from laundering workwear to supplying crates and packing materials.



Focus on **Water savings**

> Saving every drop with PHS

PHS FLOWSAVER TAP is an insert that fits onto almost all modern taps and where fitted will save up to 70% of the water used from that tap. Installation onto both hot and cold water taps is a quick and simple process.

Using innovative, patented technology, our urinal water management system ensures the perfect balance between hygiene and cost. An award-winning water saving device, the **FLOW**SAVER® **URINAL** prevents unnecessary urinal flushing.

The **FLOW**SAVER **URINAL** water management control system can save up to 70% of water when compared to an uncontrolled cistern and up to 30% against an “unintelligent” system (dependent upon urinal usage).

“Installing **Flush-Wiser**, **Flow-Saver** and **Water Saving Taps** in our schools’ washrooms has seen us dramatically reduce our environmental impact at the same time as saving us money with no loss of hygiene.”

Bursar, Fairstead House School

Water is **essential for life** and the demand is unprecedented

An average hand wash consumes **2 litres** **of water per day in the UK**

200m hand washes within businesses **per day in the UK**

Up to **70% water** saved using the **FLOW**SAVER **TAP**

“We needed to work with an established company capable of delivering services in line with our network coverage – and for whom value was also a priority.

For us, value is about innovative products and proactive partners who can bring new thinking and recommendations to the table, rather than just responding to our stated requirements. Sustainability is also key but we expect this to be in the DNA of our supplier rather than offered as a USP.

PHS Group won our business with their genuine partnership approach, engaging with us to truly understand our sector’s issues. They offered new thinking, practical solutions and importantly, financial awareness.

Their solutions didn’t reinvent the wheel. Instead, they worked with and optimised the hygiene infrastructure that we had.”

Facilities and Services Buyer

Focus on

Well-being

> Helping to address well-being in the workplace

We supply hygiene services to a wide range of sectors from restaurants to schools and retail premises to the healthcare sector. Through our exclusive product range, we focus on supporting the well-being of our customers' employees and customers, helping improve air quality and ambiance and save costs.

PHS aims to improve indoor air quality through our range of air purifiers, tackling the issue of indoor air pollution. Air purifiers create cleaner, healthier air which reduces exposure to pollutants. Cleaner air improves well-being and reduces the risk of illnesses and allergies, so leading by example, PHS is enhancing the quality of air its staff breathe by installing air purifiers across the Group.

99.9%
of germs removed via our air purifiers

PHS provide
7,173 restaurants
with hygiene services
accross the UK, Ireland and Spain

Sickness absence costs more than
£14bn to businesses
per year in the UK

The average adult inhales and exhales about
11,000 litres
of air per day

Carbon filtration
adsorbs odours, and volatile organic compounds (VOCs)

With sickness absence costing UK businesses £14 billion annually, the value of improved air quality is clear. One well-known restaurant chain has appointed PHS Group to provide hygiene services for more than 475 of its restaurants across the UK, Ireland and Jersey.

In London, its Baker Street outlet was desperate for a solution to an odour issue in its accessible washroom. Another, in Soho, had problems relating to its basement location, with a lack of windows and thick walls making it difficult for fresh air to circulate. There was a strong smell of damp – and customers were unhappy.

We installed an **AERA**MAX **PROFESSIONAL** in the two problem locations on a trial basis and the results were immediate. It allowed the restaurant managers to monitor the air as it is cleaned, thanks to the particle count reader.

"PHS Group's air cleaning solution has both instant and future benefits. With a large workforce and Head Office in London, we are only too aware of the air quality issues from living and commuting in a large city. We are also increasingly conscious of indoor air quality and constantly looking at ways to support the health and well-being of our people. Installing PHS's **AERA**MAX **PROFESSIONAL** will create a clean air environment."

Facilities and Services Buyer

Focus on

Sustainable solutions to disposing of our customers' waste

Transforming the future of waste management

Our pioneering LifeCycle strategy enhances our customers' environmental credentials by transforming their hygiene waste into sustainable energy.

UK only supply chain
provides a better solution for our customers

Generating energy
from waste

Divert 95% of offensive waste
into sustainable waste disposal by 2021

As the largest collector of sanitary and nappy waste in the UK, we have secured agreements with Viridor and other Energy from Waste (EfW) specialists located throughout the UK to transform our hygiene waste into sustainable energy. The multi-year partnership with Viridor is the first nationwide contract of its kind.

As the only organisation to have secured a nationwide agreement, PHS Group is now on a path to diverting 95% of the offensive waste we collect, away from landfill and into the National Grid by 2021, helping the UK to achieve its renewable energy targets.

Alongside our recycled products and our water and energy-saving technology, our LifeCycle strategy is another way PHS Group customers can benefit from our environmental leadership.

Focus on

Period poverty

Department for Education

Lifting the lid on period poverty

PHS is leading the way when it comes to tackling period poverty. We're lifting the lid on the scale of the issue, supporting philanthropic causes and engaging with government, local authorities, schools and businesses.

As part of our PHS Period Poverty initiative, we've commissioned new research into the experiences and opinions of girls surrounding period poverty and have launched an awareness-raising campaign. We are also working closely with the Department for Education to create a Period Poverty Taskforce, which will bring together campaigners, organisations, experts, governments and local authorities, with one common goal; eliminating period poverty. By collaborating with these experts, PHS aims to highlight the scale of the issue, demonstrate best practice, identify solutions and create a period poverty movement tasked with making a real difference.

Department for Education

More than 30 Coin-Free vending machines have now been installed by PHS within every secondary school in Blaenau Gwent

Dispensing free sanitary products to pupils In addition, sanitary products have also been provided to primary schools and will be dispensed by teaching staff

When it comes to tackling period poverty, PHS is the service delivery partner of choice.

Period poverty is a cause that is a natural fit for PHS and something that we are passionate about tackling. That's why we've created PHS Period Poverty, a programme of activity designed to do four things:

- **Raise awareness of the scale of the issue**
- **Invoke action to meet the fundamental needs of girls who can't afford or access sanitary products**
- **Break through the stigma of talking about periods and period poverty**
- **Create a practical solution to achieving period equity**

We're not just talking about period poverty, we're taking action too. In consultation with schools, local authorities and FM providers, we have developed a Coin-Free vending machine which we believe is the best solution to providing free sanitary products to girls. Located within washrooms, girls can simply open the vending drawer and take their choice of product whenever they need. It's not only convenient, it's also discreet and offers schools a managed and hygienic method of distributing products without the embarrassment of girls having to ask a teacher or staff member. What's more, we're offering the PHS free-vend sanitary machines free of charge to schools. We believe every girl should have access to free sanitary products – because they are a necessity, not a luxury. Together, we can make a difference and prevent periods from holding young people back.

Working together to create period equity

PHS, in partnership with Blaenau Gwent county council are working together to tackle period poverty across Wales. As part of a drive to tackle this issue, the Welsh Government awarded a grant to enable the Blaenau Gwent council to provide free sanitary products to all schools within the borough, dispensed via PHS's Coin-Free vending machine.

Key highlights

> **Significant return to growth** with a clear strategy

Clear strategy and market-leading positions

Each PHS business now has a clear strategy, with a strong emphasis on execution improvement, based on detailed market assessments. We have market-leading positions in each of the sectors in which we operate – nearly all of which are growing.

Digital leadership

- Our digital business, Direct365, delivered its sixth year of consecutive double-digit growth
- Digital sales in our Hygiene UK business grew by over 50%
- We're using our new marketing automation system to engage at every stage of the customer journey
- A new digital sales app gives customers on and offline product demonstrations and web enabled contract exchange.

Record service delivery leading to improved customer retention

We completed over 3.6 million washroom visits this year and now have the highest level of service delivery in the Group's history. As a result, our customer retention rates have improved year-on-year.

Improved customer focus

Trustpilot scores have risen significantly over the year and we have rolled out a net promoter score (NPS) programme across all businesses.

Return to growth

The Group has increased revenue by 1.1% to £265 million. Our fixed billing contract pool has grown strongly, particularly in Hygiene, which is up 2.3% against the previous year.

Record new business wins

New sales in our Hygiene business were up 30% on the previous year – the highest in a decade. We also increased the average number of products provided per customer.

30% increase
in Hygiene new business sales
Highest in 10 years

1.1% increase
in revenue
£265 million

2.3% Hygiene UK increase
in fixed billing against previous year

Significant rise
in Trustpilot scores and the introduction

Hygiene digital sales business grew by
over 50%

6th consecutive year, Direct365
double-digit growth

Key highlights

> New business wins

ALDI
anchor
BARCHESTER Celebrating life
Bidvest
Boparan Restaurant Group
Buzz Bingo
CBRE
COMPANY SHOP
Coventry City Council
CWS CAPITAL WASTE SERVICES
DELTIC GROUP
Dudley Metropolitan Borough Council
Edinburgh House
EnerSys Power/Full Solutions
FINNING CAT
RL
G4S
Gala Bingo
17 99 GREENE KING BURY ST EDMUNDS
Hanson HEIDELBERGCEMENT Group
Harvester
Havering LONDON BOROUGH
Hilton
HC one
THE ORIGINAL BOWLING CO. SINCE 2010
trg concessions a division of the restaurant group plc
WELCOMEBREAK
ESTD 1831 YOUNG'S
ROYAL HOLLOWAY UNIVERSITY OF LONDON
SAINT-GOBAIN
THE JOCKEY CLUB Since 1750
SCOTMID co-operative
sodexo
stonegate PUB COMPANY
HYDES 1863
ISS
Indepth Managed Services
OCS
JLL
Julius Rutherfoord & Co SECURE COMMERCIAL CLEANING
KCS
LADBROKES CORAL GROUP
Leeds CITY COUNCIL
Lothian Buses
MGroupServices
MARSTON'S
Mitchells & Butlers
PIZZA EXPRESS
Morrisons Since 1899
moto
MSA The Safety Company
Radisson
places for people
NORTHERN POWERGRID NEW CONNECTION APPLICATION FORM
PRIORY
UNIVERSITY OF BIRMINGHAM
Children First OUTWOOD GRANGE FAMILY OF SCHOOLS
North Yorkshire County Council

Chairman's statement

> Thriving management & strategy

I am pleased to report that, for the first time for many years, the Group has returned to growth with an increase in revenue of 1.1% to £265.0 million with growing momentum in the second half of last year. Our fixed billing contract pool has grown strongly during the year, particularly in our Hygiene UK business where it has increased by 2.3% against the previous year.

As in prior years, the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 and applicable law (UK GAAP). It is noted that, were the Group to adopt International Financial Reporting Standards accounting, then reflection of IFRS 16 Leases would result in a substantial increase in the reported earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group.

UK GAAP earnings before interest, tax and amortisation (EBITA) before exceptional items, at £37.5 million, was some 15% lower than the previous year. This reflects the decision taken at the beginning of the year to invest in our sales, operations, pricing and other organisational capabilities, which we expect will deliver significantly higher profits in the medium-term. Specifically, we have restructured our sales effort, placing a greater focus on major accounts, targeted sectors, field sales, digital and increasing the average number of products sold to customers, as well as investing in the latest technology to support sales. As I reported last year, we have also completed a major programme to improve our service delivery by scheduling and managing our resources more effectively. This has resulted in the highest level of service delivery in the Group's history with consequential improvements in customer satisfaction and retention levels.

Christopher Kemball
Chairman – 18 July 2019

1.1%
increase in revenue

£265m
Group revenue

2.3%
increase in fixed billing
across our Hygiene UK pool

Management

Our new CEO, David Taylor-Smith, joined at the beginning of the year and has had a major impact on the improvement of our business with a strong focus on execution and operating cadence throughout the Group. He has been ably supported by our CFO, Colin Thomas, and the other members of our senior executive team, particularly our Chief Commercial Officer (CCO), Paul Doble, and Chief Operating Officer (COO), Colin Woodland who joined us in July last year.

During the year, we also strengthened the senior management of our other Hygiene and Specialist operations. Each business now has a strong Managing Director and a clear strategy. We have market leading positions in each of the sectors in which we operate and nearly all of our markets are growing.

The Board and our shareholders are very confident that we now have an exceptionally strong management team at all levels, capable of taking the business on to the next stage of its development.

Three-year plan

During the year, our CEO and senior management team completed a new three-year plan for the Group through to the year ending 31 March 2022. Essentially, the strategy will deliver sustainable organic growth of GDP plus 1% to 2% and a significant improvement in EBITA margin over the life of the plan. The plan has been built on the basis of strong execution across five strategic areas: delivering growth; retaining and growing customers; reducing cancellations; increasing customer focus; and creating an effective organisation. Each of these areas has detailed workstreams to support it.

We also believe that there are opportunities to grow by acquisition, particularly in Spain where the population is three-quarters the size of the United Kingdom and the market is more fragmented. We have a strong acquisition pipeline covering opportunities in Spain, the United Kingdom and Ireland; in the last two markets, these are mainly infill opportunities both in Hygiene and our Specialist businesses.

Digital

We have continued to invest in our digital capability. This is a growing part of our business and it is delivering improved efficiencies and enhanced customer experience. Digital sales in our Hygiene business grew by over 50% compared with the previous year and over 60% of our customers now use our online portal. Our digital business, Direct 365, delivered its sixth consecutive year of double-digit growth.

Our aim is to make it as easy and uncomplicated as possible for customers to access our services, whether through a personal visit, online or by telephone.

Customers

We have placed a renewed focus on putting our customers first and foremost in our minds with the intention that they have a satisfactory experience at all points of contact with PHS. Significant investment has been made in improving our customer services and retention teams, upgrading our technology and ensuring that our operating centre managers and drivers are properly incentivised.

In this respect, I would particularly like to commend our specialist healthcare and operations teams whose major customers include NHS and private hospitals, other medical establishments such as doctor and dentist surgeries, and residential care homes. At the end of last year, a competitor abruptly ceased trading and, at very short notice, we were asked to take over a number of critical contracts to service major hospitals and medical facilities. I am proud to say that our team achieved a smooth transfer, working late hours and at weekends, and with unstinting support provided by the rest of the business.

Board

Peter Williamson, who has served as a non-executive director since 2015, stepped down on 11 May 2018. I would like to thank him for his wise counsel and advice, and in particular his involvement in our sales improvements. Our Board otherwise remains the same with two executive directors, two shareholder representatives and two non-executive directors.

Sustainability

Environmental sustainability is a major focus for us and our 'LifeCycle' approach to sustainable waste disposal is now targeting less than 5% of our waste volume to landfill by 2022. In light of changing conditions in the waste disposal market, we completed a review of our waste disposal strategy. Following this review, we have identified and will implement new waste disposal options which offer greater capacity as well as more economic and sustainable solutions to our customers.

Safety

We are continuing to focus on the safety of our customers, the wider public and our employees. Our RIDDOR incidence, having improved substantially last year, has remained at the same level and management are making a major effort to drive these down through greater awareness and safety training. With over 1,000 drivers on the road in any one day, we have also made major improvements in our driver accident record through telematic speed monitoring and better training.

Outlook

Since the arrival of our new CEO in April last year, we have made excellent progress against a number of key targets. The Group has returned to organic growth with new business sales at a ten-year high, operational service delivery is significantly better, customer satisfaction and retention rates have improved and the Hygiene contract pool is growing.

The positive momentum of these changes, which accelerated in the second half of last year, has continued in recent months. Consequently, we are confident of continued progress and expect further growth in sales and EBITA in the current year, together with continued strong cash generation and further deleveraging.

I would also like to take this opportunity to thank our staff, many of whom work unsociable hours and in adverse weather conditions, for their dedication in delivering outstanding customer service throughout the year. It is much appreciated.

CEO's statement

> Taking the lead in a forever growing market

Having just completed my first year as CEO of PHS, I am pleased to report on the progress we are making in implementing our growth strategy.

Each PHS business now has a clear strategy, with a strong emphasis on execution improvement, which is based on detailed market assessments for each PHS company. PHS is well positioned in each of our markets; nearly all of our markets are growing and we have market leading positions. We made additional investment in our operations, sales, pricing, digital and organisational capability during the year and I am pleased to say that this is now producing solid results.

David Taylor-Smith
CEO – 18 July 2019

Highlights 2018/19

£480m
UK hygiene market worth
significant whitespace potential

UK hygiene market is resilient and low risk with
GDP+ growth

Organic growth and sales

PHS Group delivered positive organic growth of 1.1% with growing momentum in the second half of the year. Our Hygiene businesses in the UK and Spain grew.

Our UK Hygiene new business sales during the year was the highest in ten years, up 27% on the prior year. Importantly, we also increased the average number of products we provide to each customer. We won a number of prestigious customers, including Royal Ascot, Gatwick Airport and Pizza Express.

Pricing

We reviewed our approach to pricing during the year with the aim of optimising our pricing, whilst offering customers competitive prices. During the year, we created a pricing team which works closely with our sales and marketing teams to review and set prices. This team made a significant positive impact during the year and we now have a much more logical and disciplined approach to pricing.

Digital

We continue to invest in our digital capability which is delivering double-digit sales growth and improved efficiencies, customer experience and employee engagement.

- Our digital business, Direct 365, delivered its sixth year of double-digit growth;
- Digital sales in our Hygiene UK business grew by over 50%;
- Our customer portal is now used by over 60% of our customers;
- Our routing and scheduling systems have delivered a double-digit improvement in the service productivity of our Hygiene business;
- Our new marketing automation system allows us to engage with customers at all stages of their lifecycle and will enable increased sales and facilitate improved customer retention levels;
- We launched a new digital trading platform in our Teacrate business which will help us address a growing demand from consumers and small businesses; and
- We conducted a comprehensive digital audit across the entire business and have made improvements across all our digital channels.

Product innovation

We aim to provide our customers with market leading service and products. We continued to invest in new product and service development. We launched a number of new washroom products, such as our new air freshener, **AIR**SCENT **ATOM** and our new air purifier, **AERA**MAX **PROFESSIONAL**. We are also the leading supplier of hand dryers in the UK and sold or additionally rented over 25,000 hand dryers during the year.

Service and customer retention

We completed over 3.6 million washroom visits during the year and we exited the year with the highest level of service delivery in the Group's history. Our routing and scheduling systems have delivered a double-digit improvement in service productivity in our Hygiene business and, as a result, our customer retention rates improved year-on-year.

Sustainability

We aim to achieve 95% sustainable waste disposal by 2021. We have signed a multi-year agreement with Viridor to help us achieve this.

Leader in UK and Spain
hygiene markets and top three player in other segments

Large, loyal & diverse
customer base
huge opportunity to cross-sell

CEO's statement

Specialist Markets

> Thriving business

Our specialist businesses are market leaders

Spain & Ireland Market

> PHS Serkonten

Our market leading hygiene business in Spain grew organically for the first time in seven years. **PHS** Serkonten provides hygiene and pest control services.

> PHS Ireland

PHS Ireland is the second largest player in the market. We implemented a new strategy in Ireland, strengthened the management team and our operational capability and the business is growing.

Specialist businesses

Our specialist businesses provide a range of facilities services which complement our Hygiene business. Each of these businesses is a market leader in its sector. We strengthened the leadership and performance of these businesses and all of them made good progress.

> PHS Besafe

Our specialist workwear and laundry business delivered very strong growth and exited the year with double-digit growth. New customers include Stagecoach and Marshalls.

> PHS Compliance

Our market leading testing and compliance business grew by over 4% and delivered double-digit profit growth with an enhanced margin. During the year, JLL outsourced its testing capability to **PHS** Compliance.

> PHS Greenleaf

Our market leading horticultural and Christmas tree business delivered a substantial improvement in profit over the prior year. We secured the horticultural activity business from OCS in April 2019 which will enhance our growth next year.

> PHS Teacrate

Our market leading crate rental business delivered an underlying profit ahead of last year and made good progress in some new high growth sectors like temporary office rental providers.

> PHS Wastekit

Our market leader in the provision of compactors and balers delivered very solid results in line with last year.

In summary, we are making good progress with a clear plan which is delivering results with growing momentum. We enter the new financial year in good shape.

Strategy

> New strategy

Focused on execution improvement and producing results

10 year high
in new business sales

+95%
Best service in the Group's history

Significant
improvement in customer cancellation rate

£5m
in savings & efficiencies between 2019-2021

Deliver growth

- We have equipped our sales teams with cutting edge sales tools allowing on and off line product demonstrations and enabling sales people to take orders on the spot
- We have created sector specific sales teams who have built up expert knowledge of their sectors to drive growth through consultancy
- We have created specialist regional business development consultants and are equipping them with the data and software to drive new business sales
- We continue to place heavy emphasis on our digital channels.

Effective organisation

- We have launched a new sales structure allowing all customers to benefit from a dedicated account manager. The aim is to create better partnerships and give customers more opportunity to understand the value PHS can add to their business
- We have strengthened our management capability bringing in new Managing Directors, sales leaders, and pricing , logistics and customer service experts
- We have implemented clear performance and development guidelines for staff
- We will have up to 100 colleagues on a structured programme of learning this year.

Reduce cancellations

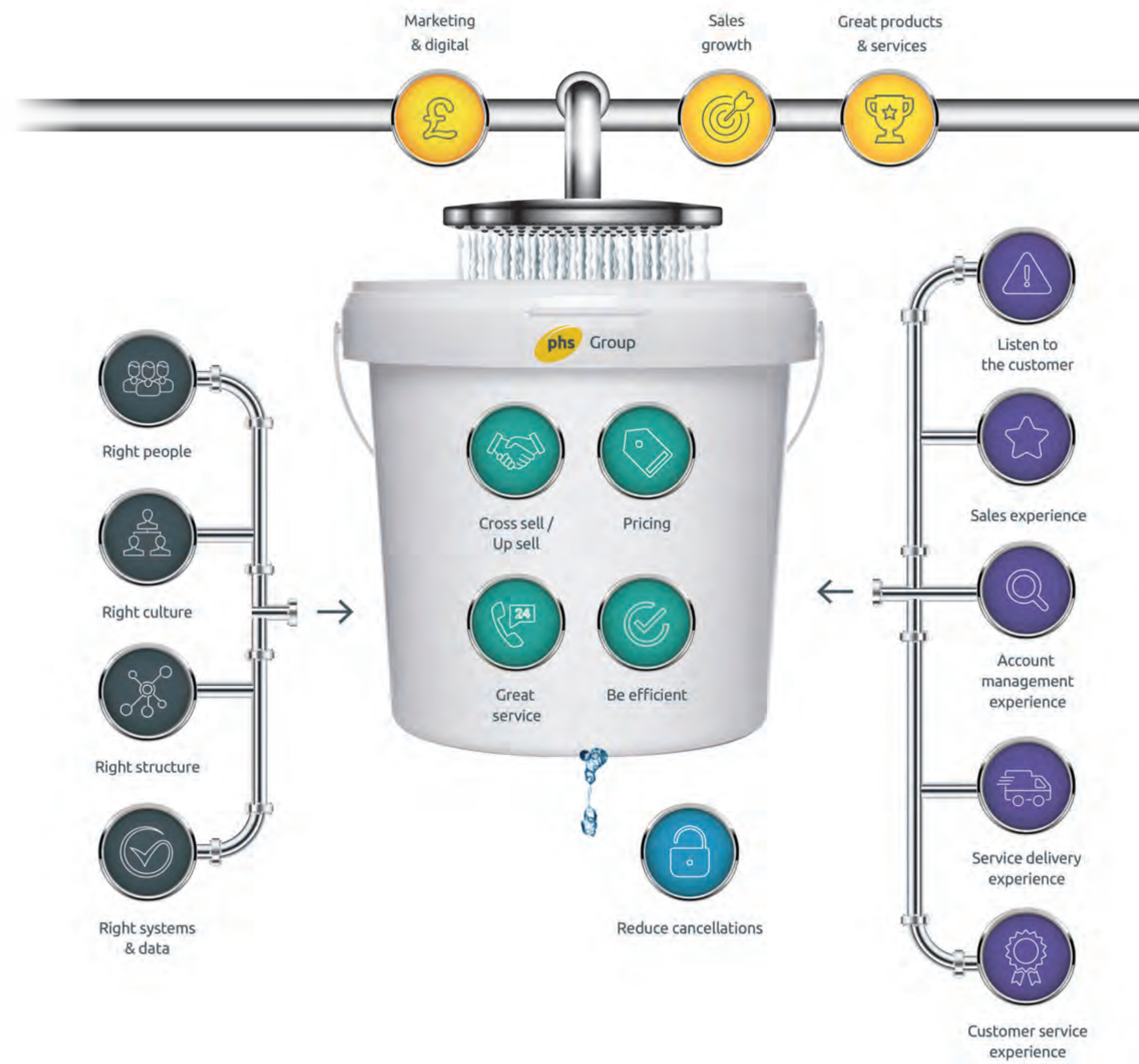
- Cancellation rates reduced in the year with increasing momentum in the second half
- We lost nearly 1,000 fewer customers than in the previous year
- One of our principal areas of focus is service related cancellations and our high service delivery standards are now paying dividends. Service related cancellations are now tracking at over 60% better than in the previous year.

Retain & grow customers

- We continue to focus on selling additional products to our existing customers
- We have established an in-house pricing team which is providing better pricing disciplines and controls
- We have invested in our service delivery, and improved routing and scheduling resulting in record service delivery levels
- We continue to drive efficiency programmes across the entire business. Our aim is to beat inflation.

Customer focus

- We listen to our customers. Net Promoter Score is being implemented across all business divisions
- We implemented an improvement programme in our customer call centre resulting in improved performance and customer experience
- Our Trustpilot rating has risen to over 4 stars. **PHS** Teacrate now has a 5 star Trustpilot rating.



Business review

> Analysis
of Hygiene turnover and operating profit

1,958 employees

not including central support functions

Hygiene overview

£203.3m turnover
(+1.9%)

£52.6m operating profit before central costs
(-9.2%)

The Hygiene division comprises the following businesses:

Washroom hygiene

- Washroom services, which include sanitary and nappy waste handling and disposal, air freshening, air and hand cleansing and hand drying services, in the UK, Ireland and Spain (Serkonten);
- Supply and sale of essential washroom products, such as hand dryers;
- Washroom consumables sales, such as paper and chemicals.

Healthcare hygiene

- Collection and disposal of clinical, pharmaceutical and dental waste.

Floorcare hygiene

- Supply and laundry of standard and specialist floor mats;
- Specialist floor cleaning, floor care and restoration;
- Supply and installation of entrance matting;
- Supply and installation of playground safety surfacing.

PHS Direct

Our specialist consumables business PHS Direct supplies thousands of customers with a wide range of consumable products including cleaning materials and paper products.

Direct365

Our separate digital business offers customers the ability to order products and services online easily.

Overview

The majority of PHS's turnover and profitability comes from its Hygiene division.

Turnover for the Hygiene division increased by 1.9% to £203.3m (2018: £199.5m) reflecting a return to organic growth following the investment made in sales, service, pricing and digital during the year. As a result of this strategic decision to invest in enhancing group capability, operating profit before central costs and exceptional items decreased by 9.2% to £52.6m (2018: £57.9m). The Group is confident that the capability enhancements that have been put in place will more than recover the reduced profit over the medium-term through new sales growth and improved customer retention. Hygiene division profit represents over 88% of the Group's operating profit before central costs and exceptional items.

The market

All the Hygiene markets in which PHS operates are growing, supported by strong structural growth drivers. Typically, PHS's markets grow at 1-2% ahead of gross domestic product (GDP).

Our Hygiene businesses operate in markets which are underpinned by a basic human need; the fact that human beings produce waste that needs to be handled discreetly and hygienically. PHS covers three categories of needs:

Washroom hygiene – PHS is a market leader in washroom services, particularly sanitary and nappy waste handling and disposal. We also provide air freshening, air and hand cleansing and hand drying services, as well as a wide range of supporting washroom consumables and ancillary services.

Healthcare hygiene – PHS's skills in disposing of waste are also valued by a range of customers in care homes, dental practices, pharmacies, nurseries, hospitals and other specialised environments. PHS safely disposes of bulk sanitary/nappy waste, pharmaceuticals, sharps, dental amalgams and other similar categories of waste. PHS is committed to sustainable waste disposal and our aim is to ensure that 95% of waste is disposed of sustainably and economically by processing customer waste in plants which converts this into fuel for power generation.

Floorcare hygiene – People bring a large amount of dirt and water into buildings on their feet. PHS offers a range of solutions to help keep buildings clean and safe, including mats which extract dirt and water from people's feet, and are laundered at PHS's own network of laundries.

These service offerings combine to be an essential foundation in keeping the workplace safe and hygienic for millions of people across the Group's chosen markets of the UK, Ireland and Spain, supporting its customers from restaurants to offices, and from hospitals to schools. It is a market which exhibits good underlying growth drivers including:

- Increasing trend of outsourcing non-core services
- Rising societal expectations on hygiene
- Ageing population
- Technological and medical developments
- Increasing use of technology
- Increasing focus on sustainable waste disposal
- Urbanisation and associated waste management needs
- Increasing regulation

PHS market position

PHS's position is strong in its chosen markets. In particular:

Market leader – PHS has the highest levels of operational density of any national operator supported by excellent national service centre networks. The dense operating network enables it to offer high levels of customer service, alongside cost leadership.

Customer Base – PHS services over 120,000 customers ranging from large single sites, to multi-national restaurant chains and small owner-occupied shops. This provides PHS with a diverse, resilient and stable customer base.

Product Leadership – PHS is the leader in the development of new washroom products supported by its in-house research and development team. This offers customers state of the art products at affordable prices.

Technology and digital leadership – PHS continually invests in its technology and digital capability. This provides an excellent platform for double-digit digital sales growth, service efficiency and customer and staff engagement.

Effective organisation – PHS's teams are equipped and trained to deliver its services for its customers. The integration – through technology and training – of PHS's operating centres, central call centres and front-line colleagues is the foundation of its operating advantage in its market.

Development highlights

PHS launched its new strategy in 2018 and has made good progress in implementing it. Each business has a clear strategy, based on a detailed market understanding, with a strong emphasis on execution improvement. The new strategy focuses on a number of key areas:

- Delivering profitable sales growth in all our businesses
- Improving our digital offering to drive sales, efficiency and customer and staff experience
- Developing new products and services which meet our clients' needs
- Delivering excellent services
- Improving customer satisfaction
- Reducing customer cancellations and increasing the amount of services we deliver to our customers
- Optimising our pricing to deliver competitive and effective pricing

Sales growth

PHS made excellent progress in sales growth with the business returning to positive organic growth. New business sales growth in the year was the highest in ten years.

PHS invested in its sales capability during the year. Sales teams were organised more logically to address market opportunities and deliver improved account management across its customer base. This was supported by investment in new sales tools and technology to enhance customer experience and support sales growth.

PHS's marketing capability was significantly enhanced during the year. Focus on improving the accuracy of customers' data meant that more relevant and effective marketing activity could be provided.

PHS's new approach to sales and marketing also resulted in an increase in the average number of products sold to its customers.

Pricing

PHS reviewed its approach to pricing during the year with the aim of offering customers competitive prices whilst optimising its pricing. During the year, a pricing team was created which works closely with the sales and marketing teams to review and set prices. This team made a significant positive impact during the year and we now have a much more logical and disciplined approach to pricing.

Digital

PHS is a leader in the use of digital technology. Digital technology is used to drive sales growth, operational efficiency and enhance customer and employee engagement. Over 60% of PHS's customers use its online customer portal and digital sales have grown double-digit for over five years.

PHS continued to invest in its digital capability during the year. A number of group websites were refreshed which drove a substantial increase in digital sales leads. PHS enhanced its social media presence which is increasingly being used by current and future customers. PHS's sales teams benefited from new digital sales tools which offer a faster and smoother customer experience.

Direct365, PHS's digital business which offers workplace services to small businesses, continued to deliver double-digit growth. It continues to achieve high levels of customer satisfaction and add additional products and services to its range.

Products

PHS is the market leader in washroom products. Every year, our in-house research and development team produce new products in response to customer demand. During the year, we added a number of new washroom products.

The expansion of the **AERA**MAX **PROFESSIONAL** range has offered customers the perfect solution to reduce odour and volatile organic compounds in their workspace. Trials have shown a reduction of up to 95% in airborne particulate contamination.

The introduction of innovative products, such as the **FLOW**SAVER **TAP** and the established **FLOW**SAVER **URINAL**, into customers' washrooms allow them to reduce their costs, water consumption and waste. In field trials with a large UK pub chain, PHS technicians demonstrated an 85% water saving through their male urinals and 70% through washroom sink taps.

PHS will continue to innovate and differentiate its product offering in a competitive and crowded market place, with an exciting product roadmap planned for next year.

Service improvement

Having steadily improved throughout the year, we exited the financial year with the highest level of service delivery in the Group's history.

During the first quarter, PHS took the decision to increase its investment in operational service in order to deliver more consistent services to all of its customers. This investment included increasing the number of service operatives, putting in place better routing and scheduling processes as well as implementing more robust performance management operating rhythm.

These changes have made a significant difference to the level of customer satisfaction both in terms of improved operational service levels and on-time delivery of services. The number of visits completed per driver per day increased whilst the average cost per service reduced.

Customer retention

Improvements in service delivery helped PHS to reduce the number of customers lost during the year. Time was spent analysing the root cause of customer cancellations and, pleasingly, PHS exited the year with lower cancellations; most of the reasons for cancellation are showing improving trends compared to the previous year.

Spain and Ireland

Serkonten, the Group's Spanish market leading business, grew during the year reversing a number of years of decline. PHS invested in its management capability and pursued the Group strategy in Spain which is now producing results.

PHS invested sales, operational and management resource into its Irish business. The corresponding increase in overheads resulted in a modest decline of in-year profits.

Business review

> **Analysis**
of Specialist turnover and operating profit

883 employees

not including central support functions

Specialist overview

£61.7m turnover
(-1.4%)

£6.7m operating profit before central costs
(-5.6%)

The Specialist portfolio comprises the following businesses which provide workplace services delivered through a route-based service network:

phs Besafe

managed supply and laundry of technical workwear for demanding operating environments such as the utility and transport sectors. Besafe also supplies and services roller towels.

phs Compliance

on-site electrical, fire and gas safety and medical device testing.

phs Greenleaf

supply and service of live and replica plants and the rental of Christmas trees.

phs Teacrate

provision and washing of crates, pallets and packing materials for the food and removals sectors.

phs Wastekit

sale, rental and service of compactors and balers to assist in the recycling and management of waste.

Business review (Specialist)

Overview

The Specialist portfolio comprises businesses which provide a range of route-based workplace services. Each Specialist business has a strong position in their individual market.

Turnover for the Specialist businesses from continuing operations decreased by 1.4% to £61.7m (2018: £62.6m) mainly due to continued challenges in the office moves sector for Teacrate, partially offset by a strong performance from Compliance. Operating profit before central costs and exceptional items decreased by 5.6% to £6.7m (2018: £7.1m), a result of the reduction in turnover and additional investment made as part of the strategic plan.

Development highlights

Besafe continued to deliver strong financial performance with another year of growth. Service standards remain exemplary with a 99% service delivery success rate provided by its highly-committed employees. During the year, Besafe won several significant new customers which underpin the revenue growth in the current and next financial year. It also won the prestigious Commercial Laundry of the Year award, despite competing against much larger competitors.

Compliance continued to deliver strong financial performance and returned its best result for five years. Utilising its market leading scale, national engineering density and provision of a comprehensive range of regulated safety services, Compliance won several significant new customers during the year which support the revenue growth achieved and solid forward earnings visibility. A focus on the delivery of core electrical services resulted in significant improvements in operational productivity, attracting and retaining engineering talent, and improved customer satisfaction.

Greenleaf appointed an experienced managing director from within the industry during the year and subsequently restructured its senior management and sales teams. Together with a clear strategic plan, this has returned the business to profit and the business had its best Christmas period in five years.

Teacrate has been successful in winning business from its competitors due to the quality of its service offering whilst retaining existing customers during another challenging year for the office moving sector. A business turnaround programme was implemented during the latter part of the year with a number of changes in the senior management team and, following comprehensive market research, a clear and focused strategy is in place with the right structure and people to deliver growth next year.

Wastekit remains the market leader in the provision of waste compactors and balers. It produced another solid performance, continuing to deliver strong service levels to all of its customers supported by an industry leading engineering capability and coverage throughout the UK & Ireland. Wastekit have now embedded a new management team and are making progress towards delivering revenue growth through targeted customer and sector specific opportunities.

Financial review

Strong margins and a low capital intensity drive high cash generation

Overview

During the year, Group turnover increased by 1.1% to £265.0m (2018: £262.1m), despite the decision of a larger customer to leave, part way through last year, as a result of a change in their group purchasing decisions. Adjusting for the effect of this customer, turnover increased by 1.6% to £265.0m from £260.8m in 2018. Operating profit from continuing businesses before shared services and exceptional items reduced by 8.9% to £59.3m (2018: £65.1m). Central costs increased by 4.8% to £21.7m (2018: £20.7m) leading to EBITA before exceptional costs of £37.5m (2018: £44.3m), a 15.3% reduction on last year. The decrease in pre-exceptional operating profit, both before and after central costs, was due to the strategic decision to make additional investment in operations, sales and organisational capability during the year. We are seeing tangible improvements from these additional investments with improved levels of new business, excellent operational service levels and an improving trajectory in cancellations. The margin earned before exceptional costs decreased to 14.2% (2018: 16.9%).

Exceptional costs of £11.0m (2018: £14.2m) were incurred in the year, along with an amortisation charge of £33.3m (2018: £33.3m), resulting in an operating loss of £6.8m (2018: loss of £3.3m).

Net finance charges for the financial year were £55.0m (2018: £52.3m) of which £16.0m (2018: £17.9m) relates to finance charges on external borrowings (i.e. borrowings excluding shareholder loans). The lower finance charges on external borrowings reflects the reduction in the Group's external borrowings as a result of the £45.0m senior debt prepayments made during the year. The pre-tax loss increased to £61.8m (2018: £55.6m) as a result of the additional investments referred to above, offset by a reduction in net finance charges.

The tax credit for the year was £1.5m (2018: £4.8m credit), resulting in a loss after interest and tax for the financial year of £60.2m (2018: £50.8m).

Total assets less current liabilities, at 31 March 2019, totalled £402.4m (2018: £473.6m).

Re-organisation costs and one-off items

Exceptional costs totalling £11.0m were incurred during the year (2018: £14.2m). These included accelerated depreciation associated with fixed assets (£4.2m), restructuring costs associated with implementation of the new Group strategy (£2.2m), costs related to the Group's performance improvement programme (£2.1m), costs associated with discontinued business processes (£1.1m) and restructuring of the senior management team (£0.8m).

Cash flow and net debt

Net cash generated from operating activities, as shown in the 'Consolidated statement of cash flows', increased by 11.3% to £47.1m (2018: £42.3m) and, after capital expenditure of £20.0m (2018: £18.2m), the net cash inflow from operating activities increased by 12.4% to £27.1m (2018: £24.1m).

Operating cash flows improved during the year, while the cash balance decreased by £34.0m (2018: increased by £13.6m) due to the £45.0m prepayment of the Senior Facilities loan. Net debt increased by £25.5m to £537.3m (2018: £511.8m) at 31 March 2019 as a result of 'rolled up' interest on loan notes. Details of the borrowings facilities are provided in note 23 to the financial statements.

The strong operating cash flows are used to service the Group's debt and fund capital expenditure.

+1.1%
£265m Group turnover
(2018: £262.1m)

-15.3%
EBITDA £37.5m
(2018: £44.3m)

On track to deliver strategy with tangible upsides

Principal risks and uncertainties

The principal risks for the Group relate to competition for new and existing customers and therefore the price at which contracts are entered into, and the retention of key employees.

To mitigate these risks, the Group strives to maximise the quality of customer service it offers, providing the best products and services seamlessly to improve internal efficiency so as to deliver best value to its customers. In addition, the Group provides competitive remuneration packages for its employees as well as significant training and development initiatives, backed up by improvement plans based on employee surveys.

The Group is also exposed to foreign exchange, interest rate and liquidity risks and the impact of Brexit may make some of these risks more volatile and uncertain. These risks are not considered significant to the business but if they do materialise they may have an adverse effect on profitability and cash flow.

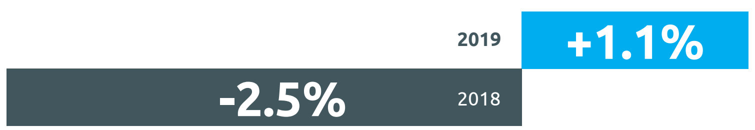
Key performance indicators

>Key financial metrics

The following financial and non-financial key performance indicators are used to judge Key performance indicators the Group's strategic objectives.

Financial KPIs

Change in turnover **+1.1%**



EBITA from continuing operations before exceptional items **-15.3%**

Change

EBITDA from continuing operations before exceptional items **-11.2%**

Change

Net cash inflow from operating activities less capital expenditure **+12.4%**

Change

"Change in turnover"

is calculated as the increase or decrease in turnover excluding discontinued operations in the year expressed as a proportion of prior year turnover excluding discontinued operations.

"EBITA from continuing operations before exceptional items"

is earnings before interest, tax, amortisation and exceptional items excluding discontinued operations.

"EBITDA from continuing operations before exceptional items"

is earnings before interest, tax, depreciation, amortisation and exceptional items excluding discontinued operations.

"Net cash inflow from operating activities less capital expenditure"

is calculated as net cash inflow from operating activities less capital expenditure as shown in the Consolidated Statement of Cash Flows.

The financial key performance indicators are discussed within the financial review.

Non-financial KPIs

Customer churn **12.8%**

"Customer churn"

is calculated as the annual value of contractual cancellations in the year divided by the average opening contractual business pool. Cancellations include customers' closures for all reasons including, for example, change in ownership or change of site location. Those situations are often matched by corresponding new contractual agreements. The contractual business pool is the annual value of fixed billing contracts.

Retaining its customers is of the utmost importance to PHS and the reduction in customer churn is pleasing. A further reduction is expected next year as the performance improvement measures being implemented under the new strategy, launched at the start of the year, continue to have a positive impact.

Outlook and future development

> Clear strategy with a strong emphasis on execution improvement

The Group holds market leading positions in each of the markets in which it operates; nearly all of which are growing. Each business within the Group has a clear strategy, with a strong emphasis on execution improvement, based on a detailed understanding of their respective markets. The initial implementation of the new strategic plan during the year, with additional investment in operations, sales and organisational capability, is already delivering positive results and this puts the Group in a strong position as it enters the new financial year. The Board is confident that the continued implementation of the Group's strategic plan, together with favourable cash generation, will deliver further growth in the business.

Approved and signed on behalf of the Board
18 July 2019

D J B Taylor-Smith
Chief Executive Officer

C J Thomas
Chief Financial Officer

CORPORATE GOVERNANCE

Board of Directors

D J B Taylor-Smith

David Taylor-Smith was appointed to the Board of PHS as Chief Executive Officer on 9 April 2018. He was formerly CEO of VPS Group, a private equity owned specialist property and security company operating across seven countries in Europe, including the UK and Spain. Before that he was on the main Board of Aggreko plc, where he was responsible for Europe, the Middle East and Africa.

Prior to Aggreko plc, he was Group COO and CEO for UK and Africa at G4S plc having previously held several other senior management positions within the Group. He spent eight years working in the Far East for Jardine Matheson and in his early career he was a British Army Officer and served in Northern Ireland, Germany, Namibia, England and in Cyprus with the United Nations. He has sat on the Board of several charities and is a trustee of the Winston Churchill Memorial Trust.

In 2003, he was awarded an MBE in recognition of his charitable activities overseas. He is a Fellow of the Royal Geographical Society and holds a Bachelor's degree in Geography from the University of Southampton.

C J Thomas

Colin Thomas is Chief Financial Officer of PHS. He joined PHS in 2003 and has previously been both Head of Finance and Group Financial Controller.

Before joining PHS, he was Divisional Chief Accountant with Thomson Holidays and undertook senior finance roles at both Hyder plc. and South Wales Electricity plc.

Colin qualified as a Chartered Accountant while working at PwC and holds a BSc (Hons) in Mathematics having studied at University College Cardiff.

C R M Kemball

Christopher Kemball is the non-executive Chairman of PHS.

Prior to this he was on the Board of Berendsen plc, a leading European textile rental and washrooms services business, from 2000 to 2012 and Chairman from 2005. He is also Chairman of Wren Investment Office Limited, an ultra-high net worth family office, and St. Elizabeth's Centre, a charity which supports vulnerable children, young people and adults with epilepsy and other complex medical conditions. In addition, he serves as a Trustee of the Roman Catholic Archdiocese of Westminster. He has broad experience of chairing both publicly listed and private equity owned companies. He holds a BA (Hons) in Law from Cambridge University.

R A Cerezo

Rafael Cerezo is a non-executive director of PHS. He is a director and fund manager at M&G Investments.

Since joining M&G in 2006 he has held a number of positions focused on representing M&G in material portfolio investments.

Prior to joining M&G he worked at Barclays where he focused on the structuring and execution of both corporate and private equity backed transactions. He holds a Master in Business Administration from Columbia Business School.

A Nagwaney

Arun Nagwaney is a non-executive director of PHS and is Chairman of the Remuneration Committee. He is the Global Head of Portfolio Group and Managing Director of Anchorage Capital Europe, LLP.

Prior to joining Anchorage, he was an Executive Director and Co-Founding Shareholder at Papierwerke Lenk AG and director and co-founding shareholder at Plastics Capital plc.

Prior to Lenk and Plastics Capital, he was a Principal at KKR Capstone Europe. He began his career at McKinsey & Company. He received a Ph.D. in Mechanical Engineering from Imperial College at the University of London and a BA from the University of Cambridge.

C G Oldroyd

Graham Oldroyd is a non-executive director of PHS and is Chairman of the Audit Committee.

He is a former partner of private equity fund manager Bridgepoint. He is Chairman of Ideal Standard International NV, a non-executive director of Henderson Alternative Strategies Trust plc, of Nobina AB (publ.) in Sweden and of MCF Limited. He is a Governor and Commissioner of the Church of England Commissioners.

He is a graduate in Engineering from Cambridge University, a Master of Business Administration from INSEAD, a Fellow of the Institution of Mechanical Engineers and a Member of the Chartered Institute for Securities and Investment.

Directors' report

for the year ended 31 March 2019

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

Principal activities

The Company acted as a holding company for a group of companies which provided workplace services in the UK, Ireland and Spain during the year. It is anticipated that the role of the Company within the Group will remain unchanged for the foreseeable future.

Financial risk management

The Group's operations expose it to a variety of financial risks which include financing and treasury exposures relating to the management of debt servicing, the financing of tangible fixed assets and acquisitions, working capital management and foreign exchange movements.

The Group has assessed the risks associated with interest rate increases to be low in the short-term.

The Board has assessed the risk of exchange rate movements having a significant effect on the trading profits and cash flows of the Group to be low due to the size of its overseas operations in relation to the Group as a whole.

The Group has previously acquired overseas subsidiaries where the consideration has been paid in euros. The majority of these acquisitions were funded by euro bank borrowings to provide a hedge against the carrying value of the investments and associated goodwill.

Effective working capital management forms an important part of maximising the amount of internally generated cash available. Control of trade debtors is a key element in this area, with comprehensive credit control procedures and regular debt monitoring by the Board helping efficient conversion of turnover to cash. During the year the Group has reviewed its credit control and cash collection processes, making improvements where appropriate.

Cash is retained as long as is consistent with negotiated supplier payment terms. Stock levels are closely monitored to strike a balance between meeting customer demand and working capital investment.

Outlook and future development

The outlook and future development of the Group is discussed in the Strategic report.

Significant contractual and other relationships

The Group has a number of important relationships with its customers, suppliers and bankers. Key members of the management team manage these relationships. The Group does not consider itself to be materially exposed to any single customer or supplier relationship.

Directors

All Directors of the Company who served at any time during the year and up to the date of signing the financial statements are listed on page 88 with biographical information for current Directors shown on pages 54 and 55.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision, as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Corporate and social responsibility

The Board recognises the importance of its corporate and social responsibilities and devotes significant resources towards monitoring both compliance and improving existing standards and opportunities. The Chief Executive Officer has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and appropriately resourced. The Group's Corporate Responsibility Report, which is available on the Group's website, highlights its approach to this area and describes its responsibilities, targets and objectives in the areas of Health and Safety, People and Community and Environment.

Health & Safety

The effective management of health and safety is fundamental and an integral part of the Group's business. The Group continues to strive for continuous improvement in all areas of health and safety, considering the pursuit and maintenance of the highest standards to be of equal importance to the quality of its products, services and financial performance.

Every effort is made to ensure that the requirements of the Health and Safety at Work Act 1974 and all other relevant regulations and codes of practice are complied with at all times. The Group's health and safety policy is prominently displayed at all PHS premises, available on the Group's intranet and is available to stakeholders on request. Local health and safety performance data is collated, reviewed and analysed centrally. It is widely distributed in order to promote awareness of identified trends and drive improvement of health and safety standards.

The Group has well-established health and safety systems. Training in health and safety issues is a routine part of employee and management development; there is a comprehensive audit process covering safety management and risk control carried out by an in-house team of National Examination Board in Occupational Safety and Health ("NEBOSH") qualified Health & Safety practitioners. The Group also has mandatory health and safety training standards for managers and safety representatives.

The Group employs a number of staff with responsibility for health, safety, quality and environmental matters whose primary responsibility is to develop safe, efficient and sustainable working practices and promote continuous improvement in these areas. The manager of the department holds a Master of Science degree in Environmental Management and senior members of the team maintain Chartered Memberships of the Institute of Environmental Management and Assessment ("IEMA"), the Institute of Occupational Safety and Health ("IOSH") and the Chartered Quality Institute. There are two dangerous goods safety advisors and all other members of the team are NEBOSH, Green Belt Six Sigma and Practitioners of the Institute of Environmental Management and Assessment ("PIEMA") certified. One member of the team is a competent person for machinery safety to ensure compliance with the provision and use of work equipment regulations ("PUWER"). All team members are IOSH trained Safety Coaches.

During the year, the impact of enacted or forthcoming legislation has been assessed to ensure the Group's working practices remain in line with the latest legislative requirements. Whilst there were several minor changes to climate change agreements and producer responsibility targets there was no significant impact upon the Group's businesses and the management systems used were effective in delivering compliance. On 1 April 2019, the UK government implemented its Streamlined Energy and Carbon Reporting ("SECR") policy. For PHS, the requirements of SECR, which includes UK energy use from electricity, gas and transport fuel, will come into force next year. Preparations for the response to Phase 2 of the Energy Savings Opportunity Scheme ("ESOS"), due in December 2019, are underway. The Group has completed the transition to International Standards Organisation ("ISO") normative reference 2015 for ISO 14001 Environmental Management and ISO 9001 Quality Management systems and will continually improve these standards in the coming year.

The Group has good links with organisations such as the Freight Transport Association ("FTA"), Chartered Institute of Waste Management ("CIWM"), Scottish Qualifications Authority ("SQA") and Sanitary & Medical Disposal Services Association ("SMDSA"). These links help to ensure that the Group is consulted over changes affecting its operations whilst also enabling it to offer constructive advice and opinions on behalf of its sector of the waste industry. The Group is involved with the CIWM & IOSH Healthcare Special Interest Group and the IOSH Transport & Distribution Special Interest Group.

Environmental

The Group's focus on providing quality assured, recyclable, energy efficient products to help its customers manage their environmental impact drives the Group's product development and its commitment to gaining the highest levels of recognition and certification for its services.

As a significant supplier to many of the UK's leading companies, the Group recognises its critical role as a service provider and is committed to improving the management of its own environmental impact within these broad supply chains. The Group has continued to make improvements to the energy efficiency of the its buildings, including investments in lighting upgrades, equipment upgrades and improved insulation and heat retention.

Vehicle fuel is responsible for over 70% of the Group's organisational carbon footprint and as such is a key environmental factor. The Group continues to work hard to manage the financial and environmental impacts associated with fuel use and now only operates vehicles compliant to at least Euro 5 standards, with all new vehicles meeting Euro 6 standards. The Group has also invested in both route optimisation and enhanced vehicle telematics to ensure that both route and fuel efficiency are maximised.

PHS is committed to doing the right thing for its customers and the environment. Pursuing sustainable approaches to waste disposal such as generating power from waste rather than using landfill sites is part of this commitment. LifeCycle is the name given to its sustainable waste disposal strategy and PHS is constantly reviewing its approach in the light of newly evolving options in the waste disposal market.

Accordingly, PHS now believes that it is possible to divert as much as 95% of its offensive waste into sustainable waste disposal methods by 2021, and has adopted this as its target. To do this, it must have a multifaceted approach to waste disposal. Contracting with national Energy from Waste ("EfW") suppliers, which offer greater capacity, enables a UK only supply chain, a better solution for customers and demonstrates its long-term commitment to sustainable waste disposal.

People

PHS employs over 3,000 people throughout the UK and Europe. The quality and commitment of its people differentiates it from its competitors. During the year, the recruitment and induction process was reviewed to improve the joining experience for all new employees. There has been significant investment within resourcing, where an in-house resourcing department has been established and an applicant tracking system has been implemented; this is an important step towards improving the retention of great employees.

PHS continues its commitment to create a safe environment for all current and prospective employees. We have continued to do this through our policy not to discriminate on any basis. This policy applies to job advertisements, recruitment and selection, training and development opportunities, benefits and pay.

The Group is committed to providing equal opportunities and to complying with the Race Relations, Sex Discrimination, Disability Discrimination and Rehabilitation of Offenders Acts.

In March 2017, the Group secured its accreditation as an Investor in People ("IIP") until March 2020. The review took place at a time where large scale changes were underway within the Group and consisted of a new 'Sixth Generation' IIP Framework.

Learning and development

Learning & Development remains central to PHS's success and over the last year the team continued to support the change programme across the business, focusing on sales effectiveness, operational service delivery and customer experience. Over the next year, we will be further enhancing our approach to learning and development.

PHS's Performance and Development Framework and the objectives of all Group employees are aligned to our business plan. The development themes from across the business are captured and used to review and inform our Learning and Development solutions across the business twice a year.

A thirteen-month management development programme has been introduced for our people managers focusing on all the core skills needed to be successful in these roles.

PHS Compliance continued to grow its structured apprenticeship programme, which has seen two of its engineers being nominated for the Heating & Ventilation Apprentice of the Year category at the 2019 BESA (Building Engineering Services Association) North West Awards. The Group is building on the success of the PHS Compliance programme and will be implementing a similar programme within our Wastekit business. We are aiming to triple our intake of apprentices in our Customer Service Centre in Caerphilly and we will be introducing new programmes in IT and Marketing as well as functional development programmes for our existing staff in customer services, operations and commercial roles across both the Hygiene and Specialist businesses.

Ethical policies

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011, and confirmed its zero-tolerance to bribery and corruption in its business activities. It has received assurances from the Group's main contractors and suppliers that they maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

PHS opposes all forms of modern slavery and human trafficking. Group employment and recruitment practices are designed to comply with all requirements of the Modern Slavery Act 2015.

The Criminal Finances Act 2017 introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Group maintains a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

It is important to the business that any fraud, misconduct or wrongdoing is reported and properly dealt with. This applies to all employees, including senior managers, officers and directors, whether full or part time. It also applies to other individuals performing functions with or on behalf of the Group, such as agency workers, casual staff, consultants and contractors. The organisation encourages any individuals to raise genuine concerns that they may have about the conduct of others in the business or the way in which the business is run with a nominated person. The Group's Whistle Blowing policy outlines the way in which individuals may raise any concerns that they have and how those concerns will be dealt with.

Charity and the Community

The Group recognises that it has a responsibility to the wider communities in which we live and work and last year it continued the 'Team Match Funding' initiative as a way to encourage groups of colleagues to work together to raise money for their chosen charities. The charity initiative is open for applications twice per annum and has attracted a number of applicants from around the business. The successful teams have their stories promoted on the intranet and communications screens in order to give visibility to all colleagues. The Charities Committee, consisting of colleagues from around the Group, is responsible for awarding Team Match Funding.

In addition to Team Match Funding, PHS also supports two national charity days, Children in Need and Comic/Sports Relief. Colleagues from around the business are encouraged to run and participate in fund raising activities throughout the charity days.

Period poverty

Period poverty is a serious issue that affects both women and girls throughout the UK. PHS has carried out independent research with 1,000 teenage girls across the UK to find out more about their experiences and opinions related to period poverty. The results clearly showed that something needed to change and, in response, PHS has worked with local authorities, schools, Government and facility management providers to develop a practical and affordable solution. The introduction of a Slimline Coin-Free vending machine, designed to offer pupils a convenient way to obtain feminine hygiene products without the need for a coin, is a discreet solution to this growing problem.

Research and development

Technical development is considered an important part of the Group's ongoing advancement. Resources are employed in the development of new products and in enhancing existing products to continually improve the range and quality that the Group offers its customers.

All such expenditure is charged to the profit and loss account as incurred.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

> make judgements and accounting estimates that are reasonable and prudent; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Dividends and transfers to reserves

The Directors do not recommend the payment of a dividend for the year. Dividends paid during the year amounted to £nil. The loss for the year is to be transferred to reserves.

Going concern

The Directors have concluded with regard to the most recent projections available, that the Company and Group will have in place sufficient funding to enable it to continue trading and meet its liabilities to third parties as they fall due for the foreseeable future. During the year, the Group made a voluntary prepayment of £45.0m of senior bank debt. The remaining senior debt is not due for repayment until December 2021 and the loans consisting of loan notes are not due for repayment until October 2022.

Statement of disclosure of information to auditors

Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved and signed on behalf of the Board

C J Thomas
Director

18 July 2019

Independent Auditors' report to the members of PHS Group Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, PHS Group Investments Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company balance sheets as 31 March 2019; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Clarke
(Senior Statutory Auditor)

for and on behalf of:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

22 July 2019

FINANCIAL STATEMENTS

> Consolidated profit and loss account
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	4	**264,998**	262,140
EBITDA before exceptional items		**55,427**	62,425
Depreciation (excluding exceptional items)		**(17,895)**	(18,099)
EBITA before exceptional items		**37,532**	44,326
Amortisation		**(33,305)**	(33,337)
Exceptional costs – other	13	**(6,843)**	(13,467)
Exceptional costs – depreciation	13	**(4,162)**	(775)
Operating loss	6	**(6,778)**	(3,253)
Interest receivable and similar income	10	**57**	97
Interest payable and similar expenses	11	**(55,072)**	(52,435)
Loss before taxation		**(61,793)**	(55,591)
Tax on loss	12	**1,548**	4,780
Loss for the financial year		**(60,245)**	(50,811)

> Consolidated statement of comprehensive income
for the year ended 31 March 2019

	2019 £'000	2018 £'000
Loss for the financial year	**(60,245)**	(50,811)
Other comprehensive income / (expense)		
Currency translation differences	**334**	(448)
Actuarial loss on defined benefit schemes	**(394)**	(812)
Movement in pension surplus not recognised	**373**	754
Other comprehensive income / (expense) for the year	**313**	(506)
Total comprehensive expense for the year	**(59,932)**	(51,317)

> Group and Company balance sheets
as at 31 March 2019

		Group		Company	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets					
Intangible assets	15	**381,406**	414,711	**-**	-
Tangible assets	16	**48,247**	50,785	**-**	-
Investments	17	**-**	-	**21,500**	21,500
		429,653	465,496	**21,500**	21,500
Current assets					
Stocks	18	**7,314**	6,882	**-**	-
Debtors	19	**60,409**	60,162	**360**	177
Cash at bank and in hand	20	**22,697**	56,675	**1**	1
		90,420	123,719	**361**	178
Creditors: amounts falling due within one year	21	**(117,710)**	(115,597)	**(2,198)**	(1,739)
Net current (liabilities) / assets		**(27,290)**	8,122	**(1,837)**	(1,561)
Total assets less current liabilities		**402,363**	473,618	**19,663**	19,939
Creditors: amounts falling due after more than one year	22	**560,026**	568,439	**-**	-
Provisions for liabilities					
Deferred taxation	25	**23,194**	26,415	**-**	-
Other provisions	26	**8,245**	8,354	**-**	-
		31,439	34,769	**-**	-
Capital and reserves					
Called up share capital	27	**311**	311	**311**	311
Share premium account	28	**21,189**	21,189	**21,189**	21,189
Profit and loss account					
At 1 April		**(151,090)**	(99,837)	**(1,561)**	(958)
Loss for the year		**(60,245)**	(50,811)	**(276)**	(603)
Other changes in equity		**733**	(442)	**-**	-
	28	**(210,602)**	(151,090)	**(1,837)**	(1,561)
Total equity		**(189,102)**	(129,590)	**19,663**	19,939
		402,363	473,618	**19,663**	19,939

The financial statements were approved and authorised for issue by the Board on 18 July 2019 and were signed on its behalf by:

D J B Taylor-Smith
Director

C J Thomas
Director

The notes on pages 69 to 87 form part of these financial statements.

> Consolidated statement of changes in equity

for the year ended 31 March 2019

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2018	**311**	**21,189**	**(151,090)**	**(129,590)**
Comprehensive expense for the year				
Loss for the financial year	**-**	**-**	**(60,245)**	**(60,245)**
Currency translation differences	**-**	**-**	**334**	**334**
Actuarial losses on pension scheme, net of movement on unrecognised surplus	**-**	**-**	**(21)**	**(21)**
Other comprehensive expense for the year	**-**	**-**	**313**	**313**
Total comprehensive expense for the year	**-**	**-**	**(59,932)**	**(59,932)**
Proceeds of shares issued by subsidiary company	**-**	**-**	**477**	**477**
Purchase of shares by subsidiary company	**-**	**-**	**(57)**	**(57)**
Total transactions with owners	**-**	**-**	**420**	**420**
At 31 March 2019	**311**	**21,189**	**(210,602)**	**(189,102)**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2017	311	21,189	(99,837)	(78,337)
Comprehensive expense for the year				
Loss for the financial year	-	-	(50,811)	(50,811)
Currency translation differences	-	-	(448)	(448)
Actuarial losses on pension scheme, net of movement on unrecognised surplus	-	-	(58)	(58)
Other comprehensive expense for the year	-	-	(506)	(506)
Total comprehensive expense for the year	-	-	(51,317)	(51,317)
Proceeds of shares issued by subsidiary company	-	-	317	317
Purchase of shares by subsidiary company	-	-	(253)	(253)
Total transactions with owners	-	-	64	64
At 31 March 2018	311	21,189	(151,090)	(129,590)

The notes on pages 69 to 87 form part of these financial statements.

> Company statement of changes in equity

for the year ended 31 March 2019

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2018	**311**	**21,189**	**(1,561)**	**19,939**
Comprehensive expense for the year				
Loss for the financial year	**-**	**-**	**(276)**	**(276)**
Total comprehensive expense for the year	**-**	**-**	**(276)**	**(276)**
At 31 March 2019	**311**	**21,189**	**(1,837)**	**19,663**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2017	311	21,189	(958)	20,542
Comprehensive expense for the year				
Loss for the financial year	-	-	(603)	(603)
Total comprehensive expense for the year	-	-	(603)	(603)
At 31 March 2018	311	21,189	(1,561)	19,939

The notes on pages 69 to 87 form part of these financial statements.

> Consolidated statement of cash flows

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss for the financial year	(60,245)	(50,811)
Adjustments for:		
Taxation	(1,548)	(4,780)
Interest payable	55,072	52,435
Interest receivable	(57)	(97)
Amortisation of intangible assets	33,305	33,337
Depreciation of tangible assets	22,057	18,874
Loss on disposal of tangible assets	285	520
Cash contributions to defined benefit pension scheme	(21)	(58)
(Increase) / Decrease in stocks	(338)	346
(Increase) / Decrease in debtors	(801)	3,094
Increase / (Decrease) in creditors	154	(8,179)
Corporation tax paid	(786)	(2,340)
Net cash generated from operating activities	47,077	42,341
Cash flows from investing activities		
Purchase of tangible fixed assets	(20,028)	(18,208)
Proceeds from sale of tangible fixed assets	9	10
Interest received	60	78
Net cash used in investing activities	(19,959)	(18,120)
Cash flows from financing activities		
Repayment of loans	(45,000)	-
Deposits required for bank guarantees returned	-	7,979
Interest paid on loans	(16,448)	(18,664)
Proceeds of shares issued by subsidiary company	477	317
Repurchase of shares issued by subsidiary company	(57)	(253)
Net cash used in financing activities	(61,028)	(10,621)
Net (decrease) / increase in cash and cash equivalents	(33,910)	13,600
Cash and cash equivalents at beginning of year	56,675	42,896
Foreign exchange difference	(68)	179
Cash and cash equivalents at the end of the year	22,697	56,675
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	22,697	56,675

> Notes to the financial statements

for the year ended 31 March 2019

> 1. GENERAL INFORMATION

PHS Group Investments Limited is the holding company of a group whose principal activity is the provision of workplace services.

The Company is a private company limited by shares and is incorporated and domiciled in England & Wales with a registered number of 09213233. The address of its registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

> 2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Directors have concluded with regard to the most recent projections available, that the Company and Group will have in place sufficient funding to enable it to continue trading and meet its liabilities to third parties as they fall due for the foreseeable future. During the year, the Group made a voluntary prepayment of £45.0m of senior bank debt. The remaining senior debt is not due for repayment until December 2021 and the loans consisting of loan notes are not due for repayment until October 2022.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue comprises the accrued value of contractual and non contractual income arising from the provision of workplace services exclusive of value added tax. Contractual income consists of service contract income, of a recurring nature, to the extent that it reflects the Group's partial performance of its contractual obligations. Non contractual income consists of the invoiced value of goods sold (which is recognised on despatch) plus service income of a non recurring nature.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid in relation to a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Profit and Loss Account over its useful economic life.

Other intangible assets

Intangible are measured at cost less accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Customer relationships (1-10 years)

Goodwill (20 years)

Brand (20 years)

The useful life of each intangible asset is the period over which that asset is expected to be available for use. Where the asset arises directly from a contractual or legal right, the useful life will not exceed the period of that right.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

> Notes to the financial statements
for the year ended 31 March 2019

Depreciation is calculated to write off the cost of each tangible fixed asset on a straight-line basis over its expected useful economic life.

The principal depreciable lives of asset are:

Freehold land (Not depreciated)
Freehold buildings (50 years)
Short term leasehold property (Lease term)
Equipment at customers' premises (1 to 12.5 years)
Other equipment & vehicles (3 to 10 years)
Tooling (4 years)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Assets on service contracts are capitalised and depreciated as noted above. Service contract income is credited to the profit and loss account over the lease term, on a straight line basis from the date of inception. Amounts received in advance are shown in the balance sheet as deferred income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is an indication that an asset may be impaired, the carrying value of the asset (or cash generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods no longer exist or have decreased.

2.9 Valuation of investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Provision for impairment is recognised where the carrying value of the investment is lower than the greater of the net realisable value and value in use. The value in use is calculated using cash flow projections based on financial budgets approved by the Board covering a one year period. Cash flows are extrapolated using an estimated long term growth rate. The growth rate is based on the average long term growth rate predicted across the relevant sectors and countries in which the business operates.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and certain finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its net realisable value. Any impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

The Group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash, or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset

> Notes to the financial statements
for the year ended 31 March 2019

has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Foreign currency translation

Functional and presentation currency
The company's functional and presentational currency is GBP.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows incentives on leases entered into before the date of transition to the standard (31 March 2015) to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.18 Pensions

Defined contribution pension plan
The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan
The Group operates a defined benefit scheme which is closed to new members. For defined benefit schemes, assets are

> Notes to the financial statements

for the year ended 31 March 2019

measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return of a high-quality bond of equivalent term and currency to the liability. The expected return of the scheme assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time are included in finance costs. Actuarial gains and losses are included in other comprehensive income. The amount of surplus recognised as an asset is limited to the amount that the employer can use to generate future economic benefits.

2.19 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the reporting.

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.23 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

> 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes judgments and estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below:

Key accounting estimates and assumptions

Impairment of intangible assets and goodwill

The Group considers whether there is any indication of impairment of intangible assets or goodwill and where any indication is identified, the recoverable value is estimated as detailed in note 2.8 above.

Fair value of intangible assets

Certain separate intangible assets have been identified separately from goodwill. In the absence of an active market with an observable price, the valuation of each intangible asset requires estimation of the future cash flows generated from use of the asset along with selection of appropriate discount rates in order to calculate the net present value of those cash flows. Intangible assets are amortised over their estimated useful economic lives as defined in note 2.5.

> Notes to the financial statements

for the year ended 31 March 2019

Property provisions

Provision is made for property dilapidations and onerous property leases. Provisions for dilapidations require management's best estimate of the costs that are likely to be incurred at the end of each property lease based on legislative and contractual requirements. The timing of cash flows and discount rates used to establish the net present value of the obligations also require management's judgment. Provisions for onerous property leases require management's best estimate of the likelihood of being able to offset future costs by sub letting those properties as well as the discount rates used to determine the net present value.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain individuals. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Consolidated Balance Sheet. The assumptions reflect historical experience and current trend.

Provisions for bad and doubtful debts and credit notes

Provision is included in the trade debtors figure for management's best estimate of outstanding invoices that will not be paid and will end up being written off or credited. Management estimates this value using historical experience, the age profile of trade debtors at the end of the year and taking into account any known issues with large customers.

> 4. Turnover

	2019 £'000	2018 £'000
An analysis of the Group's turnover, by type, is set out below:		
Hygiene	203,281	199,503
Specialist	61,717	62,637
	264,998	262,140
An analysis of the Group's turnover, by type, is set out below:		
Contractual income	192,304	188,441
Non-contractual income	72,694	73,699
	264,998	262,140

All turnover arose within Europe.

> 5. Operating costs (including exceptional items)

	2019 £'000	2018 £'000
Own work capitalised	(5,841)	(5,430)
Raw materials and consumables	32,265	32,647
Staff costs	102,418	98,621
Depreciation	22,057	18,874
Amortisation	33,305	33,337
Other external charges	87,572	87,344
	271,776	265,393

> Notes to the financial statements

for the year ended 31 March 2019

> 6. Operating (loss) / profit

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	22,057	18,874
Amortisation of intangible assets, including goodwill	33,305	33,337
Exchange differences	(135)	(59)
Operating lease rentals	17,997	17,958
Impairment of trade debtors (excluding exceptional items – see note 13)	136	919
Loss on disposal of tangible fixed assets	285	520

> 7. Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the Group's auditors and their associates for the audit of the Company's financial statements	7	7
Fees payable to the Company's auditors and their associates for other services:		
The audit of the Company's subsidiaries	144	144
Tax advisory services	39	54
Tax compliance services	40	41
All other services	1	36
	231	282

> 8. Employees

	2019 £'000	2018 £'000
Group		
Staff costs, including Directors' remuneration, for the Group were as follows:		
Wages and salaries	88,786	86,597
Social security costs	10,060	9,910
Other pension costs	3,572	2,114
	102,418	98,621

The average monthly number of people, including the Directors, employed by the Group during the year was as follows:	2019 No.	2018 No.
Administration	741	810
Sales	407	391
Service	2,198	2,227
	3,346	3,428

Company

The Company had no employees during this or the prior year.

> Notes to the financial statements

for the year ended 31 March 2019

> 9. Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	1,649	888
Company contributions to defined contribution pension schemes	10	38
Compensation for loss of office	-	667
	1,659	1,593

During the year retirement benefits were accruing to 1 Director (2018: 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,019,000 (2018: £809,000) including £nil (2018: £349,000) compensation for loss of office.

No contributions were paid by the Company to defined contribution pension schemes in respect of the highest paid Director during the year (2018: £nil).

Key management are deemed to be the Directors of the Company.

> 10. Interest receivable and similar income

	2019 £'000	2018 £'000
Other interest receivable	57	97

> 11. Interest payable and similar expenses

	2019 £'000	2018 £'000
Bank interest payable	15,973	17,898
Loan note interest payable	38,765	34,586
Other interest payable	334	(49)
	55,072	52,435

Other interest payable includes foreign exchange differences on financing activities.

> Notes to the financial statements

for the year ended 31 March 2019

> 12. Tax on loss

	2019 £'000	2018 £'000
Corporation tax		
Current tax on loss for the year	1,565	1,093
Adjustment in respect of previous periods	66	(145)
Foreign tax		
Foreign tax on income for the year	42	23
Total current tax	1,673	971
Deferred tax		
Origination and reversal of timing differences	(2,896)	(1,874)
Adjustment in respect of previous periods	28	(3,560)
Impact of change in tax rate	(353)	(317)
Total deferred tax	(3,221)	(5,751)
Taxation on loss	(1,548)	(4,780)

Factors affecting tax credit for the year

The tax assessed for both years varies from than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(61,793)	(55,591)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(11,741)	(10,562)
Effects of:		
Expenses not deductible for tax purposes	10,512	9,915
Higher taxes on overseas earnings	11	17
Adjustments in respect of previous periods	94	(3,705)
Non-taxable income	(71)	(145)
Unrecognised deferred taxation	-	17
Re-measurement of deferred tax – change in UK rate	(353)	(317)
Total tax credit for the year	(1,548)	(4,780)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

> Notes to the financial statements

for the year ended 31 March 2019

> 13. Exceptional items

	2019 £'000	2018 £'000
Other	6,843	13,467
Depreciation	4,162	775
Exceptional items	11,005	14,242

Exceptional items include accelerated depreciation associated with fixed assets (£4,162,000), restructuring costs associated with implementation of the new Group strategy (£2,200,000), costs related to the Group's performance improvement programme (£2,100,000), costs associated with a discontinued business processes (£1,100,000) and restructuring of the senior management team (£800,000).

> 14. Parent Company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The loss for the financial year of the parent Company was £276,000 (2018: loss £603,000).

> 15. Intangible assets

Group	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2018 and 31 March 2019	134,690	129,484	267,113	531,287
Accumulated amortisation				
At 1 April 2018	47,279	22,660	46,637	116,576
Charge for year	13,475	6,474	13,356	33,305
At 31 March 2019	60,754	29,134	59,993	149,881
Net book value				
At 31 March 2019	73,936	100,350	207,120	381,406
At 31 March 2018	87,411	106,824	220,476	414,711

> Notes to the financial statements
for the year ended 31 March 2019

> 16. Tangible assets

Group	Freehold property £'000	Short-term leasehold property £'000	Equipment at customers' premises £'000	Other equipment & vehicles £'000	Tooling £'000	Total £'000
Cost						
At 1 April 2018	348	3,306	86,719	64,935	503	155,811
Additions	30	595	14,393	4,751	259	20,028
Disposals	-	-	(13,588)	(6,314)	-	(19,902)
Exchange adjustments	-	-	(302)	(133)	-	(435)
At 31 March 2019	**378**	**3,901**	**87,222**	**63,239**	**762**	**155,502**
Accumulated depreciation						
At 1 April 2018	88	1,653	55,991	47,229	65	105,026
Charge for year	6	292	12,728	8,903	128	22,057
Disposals	-	-	(13,353)	(6,128)	-	(19,481)
Exchange adjustments	-	-	(235)	(112)	-	(347)
At 31 March 2019	**94**	**1,945**	**55,131**	**49,892**	**193**	**107,255**
Net book value						
At 31 March 2019	**284**	**1,956**	**32,091**	**13,347**	**569**	**48,247**
At 31 March 2018	260	1,653	30,728	17,706	438	50,785

> 17. Investments

Company	Investments in subsidiary companies £'000
Cost and net book value at 1 April 2018 and 31 March 2019	**21,500**

> 18. Stocks

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Raw materials and consumables	**160**	426	**-**	-
Finished goods and goods for resale	**7,154**	6,456	**-**	-
	7,314	6,882	**-**	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

> Notes to the financial statements
for the year ended 31 March 2019

> 19. Debtors

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade debtors	**48,324**	50,157	**-**	-
Amounts owed by group undertakings	**-**	-	**360**	177
Other debtors	**789**	919	**-**	-
Prepayments and accrued income	**11,296**	9,086	**-**	-
	60,409	60,162	**360**	177

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. An interest rate of 5% is charged on non trading balances with group undertakings that are not dormant.

> 20. Cash at bank and in hand

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cash at bank and in hand	**22,697**	56,675	**1**	1

> 21. Creditors

	Group		Company	
Amounts falling due within one year	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Trade creditors	**19,244**	14,474	**-**	-
Amounts owed to group undertakings	**-**	-	**2,197**	1,730
Corporation tax	**1,103**	213	**-**	-
Other taxation and social security	**6,842**	6,709	**-**	-
Other creditors	**19,733**	17,987	**1**	1
Accruals and deferred income	**70,788**	76,214	**-**	8
	117,710	115,597	**2,198**	1,739

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. An interest rate of 5% is charged on non trading balances with group undertakings that are not dormant.

> Notes to the financial statements
for the year ended 31 March 2019

> 22. Creditors

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due after more than one year				
Bank loans	222,146	267,351	-	-
Other loans	337,880	301,088	-	-
	560,026	568,439	-	-

> 23. Loans

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due in one to five years				
Bank loans	222,146	267,351	-	-
Other loans	337,880	301,088	-	-
	560,026	568,439	-	-

Bank loans
Bank loans consist of a Senior Facility loan from financial institutions. At the balance sheet date, £97,113,000 (2018: £100,789,000) of the Senior Facility loan was in respect of borrowings from financial institutions that were shareholders of the Company.

The Senior Facility loan bears interest at LIBOR or EURIBOR, on the sterling and euro borrowings respectively, plus a margin, which is set at 5.25%. If LIBOR or EURIBOR is less than 1.0% then the rate will be deemed to be 1.0%. The debt is repayable in full on 20 December 2021. All outstanding amounts must be prepaid immediately on the sale or listing of the Company.

At the balance sheet date the Group had a £20,000,000 (2018: £20,000,000) revolving credit facility with the same terms as the Senior Facility.

The bank borrowings are secured by way of a fixed and floating charge over the present and future real property and intellectual property rights owned by the company.

The Group had undrawn committed borrowing facilities at 31 March 2019, consisting of £13,862,000 (2018: £12,021,000) under the revolving credit facility.

Other loans
Other loans consist of loan notes, which are unsecured and subordinate to the Senior Facility loan, bear PIK interest of 11.9% and cash pay interest of 0.1%. The loan notes are repayable in full on 16 October 2022. All of the loan notes were owed to financial institutions that were shareholders of the Company at the balance sheet date.

> Notes to the financial statements
for the year ended 31 March 2019

> 24. Financial instruments

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
Financial assets measured at fair value through profit or loss	22,697	56,675	1	1
Financial assets that are debt instruments measured at amortised cost	49,113	51,076	360	177
Financial liabilities				
Financial liabilities measured at amortised cost	(669,581)	(677,114)	(2,197)	(1,730)

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors. Financial assets measured at fair value through profit or loss consist of cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, bank loans and other loans.

> 25. Deferred taxation

	£'000
Group	
At 1 April 2018	(26,415)
Credited to the profit or loss	3,221
At 31 March 2019	(23,194)

The provision for deferred taxation is made up as follows:

	2019 £'000	2018 £'000
Group		
Accelerated capital allowances	6,695	7,261
Short-term timing differences	138	142
Intangible assets arising on acquisition	(30,027)	(33,818)
	(23,194)	(26,415)

> 26. Other provisions

	Property £'000
Group	
At 1 April 2018	8,354
Charged to the profit or loss	371
Utilised in year	(480)
At 31 March 2019	8,245

Property provisions include onerous lease provisions in respect of vacant properties within the Group's leased premises portfolio and property dilapidation obligations on various leased premises across the Group. Property provisions are subject to uncertainty in respect of the utilisation, non utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

> Notes to the financial statements
for the year ended 31 March 2019

> 27. Called up share capital

Group and Company	2019 £'000	2018 £'000
Allotted, called up and fully paid		
305,000,046 (2018: 305,000,046) Ordinary shares of £0.001 each	305	305
6,100,003 (2018: 6,100,003) Class 'A' shares of £0.001 each	6	6
100 (2018: 100) Class 'B' shares of £0.001 each	-	-
	311	311

The class 'A' shares and class 'B' shares do not:

> confer on the shareholders thereof any entitlement to any participation in the profits (dividends or otherwise) of the company or any other return of capital of the company except on the winding up of the company in which event each such share shall confer on the holder thereof the right to receive an amount equal to its nominal value; or

> confer on the holders thereof the right to receive notice of or to attend or vote at any general meeting of the company.

> 28. Reserves

Share premium account
The share premium account represents consideration received on the allotment of shares in excess of the nominal value of the shares allotted.

Profit and loss account
The profit and loss account represents the accumulated profits, losses and distributions of the Company and of the Group.

> 29. Pension commitments

The Group operates a defined contribution pension plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and is disclosed in note 8. Contributions totalling £517,000 (2018: £265,000) were payable to the fund at the balance sheet date.

Along with the acquisition of Warner Howard Group Limited on 31 October 2005, the Group acquired a pension plan with both a defined benefit and money purchase element.

The defined benefit section of the pension scheme was established under an irrevocable Deed of Trust by Warner Howard (UK) Limited. With effect from 1 January 2003 all active members of the defined benefit section ceased to accrue further benefits and became deferred pensioners.

The scheme is valued every three years by independent consulting actuaries using the defined accrued benefit method. The most recent valuation at 1 May 2017 indicated that the technical provisions exceeded the assets by £190,000. It was assumed that the pre retirement investment return would be 3.1% per annum, the post retirement return would be 1.8% per annum and future price inflation would be 3.5% per annum.

The latest audited financial statements of the scheme are made up to 30 April 2018 at which date the scheme, which is contracted out of the state scheme, had net assets of £12,025,000 (30 April 2017: £12,117,000) for the combined defined benefit and defined contribution sections of the scheme.

Immediately following the acquisition of Warner Howard Group Limited, the Group made a one off contribution of £2,255,000 in respect of the final salary

section, which was equivalent to the FRS 17 deficit at 30 June 2005. In accordance with the schedule of contributions based on the valuation as at 1 May 2005, contributions of £54,000 were made until March 2006, at which time it was agreed with the Trustees that no further contributions were required. An additional contribution of £200,000 was made in the year ended 31 March 2016 to reduce the deficit arising from the triennial valuation of the scheme.

The Group contributed £21,000 (2018: £58,000) to its Defined Benefit Pension Scheme during the year but does not expect to contribute in the year ending 31 March 2020 as the deficit arising from the triennial valuation of the scheme has been brought into surplus.

No employer contributions were made to the money purchase section of the plan during the year (2018: £nil).

> Notes to the financial statements
for the year ended 31 March 2019

> 29. Pension commitments (continued)

Composition of plan assets:	2019 £'000	2018 £'000
Equities	3,829	3,901
Gilts	3,631	3,793
Corporate bonds	4,203	4,347
Cash / trustee bank account	12	-
Total plan assets	11,675	12,041

	2019 £'000	2018 £'000
Fair value of plan assets	11,675	12,041
Present value of plan liabilities	(10,306)	(10,299)
Surplus not recognised	(1,369)	(1,742)
Net pension scheme assets	-	-

Reconciliation of fair value of plan liabilities were as follows:	2019 £'000	2018 £'000
Opening defined benefit obligation	10,299	9,664
Interest cost	251	237
Actuarial losses	259	791
Past service costs including curtailments	414	-
Benefits paid	(917)	(393)
Closing defined benefit obligation	10,306	10,299

Reconciliation of fair value of plan assets were as follows:	2019 £'000	2018 £'000
Opening fair value of scheme assets	12,041	12,099
Interest income	251	298
Actuarial gains / (losses)	279	(21)
Contributions by employer	21	58
Benefits paid including expenses	(917)	(393)
Total plan assets	11,675	12,041

> Notes to the financial statements

for the year ended 31 March 2019

> 29. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	**2.25**	2.55
Aggregate long-term rate of return on assets (net of expenses)	**2.25**	2.55
Retail Prices Index (RPI) Inflation	**3.60**	3.45
Consumer Prices Index (CPI) Inflation	**2.60**	2.45
Future increases in deferred pensions	**2.60**	2.45
Rate of increase in salaries	**n/a**	n/a
Mortality rates		
> for a male member aged 65 now	**21.50**	22.10
> at 65 for a male member aged 45 now	**22.80**	23.50
> for a female member aged 65 now	**23.40**	24.00
> at 65 for a female member aged 45 now	**24.90**	25.50

> 30. Commitments under operating leases

Group At 31 March the Group had future minimum lease payments under non cancellable operating leases payable as follows:	Group 2019 £'000	Group 2018 £'000
Not later than 1 year	**12,885**	13,369
Later than 1 year and not later than 5 years	**27,248**	26,115
Later than 5 years	**17,796**	16,939
Total	**57,929**	56,423

Company

The Company has no operating leases

> 31. Related party transactions

PHS Holdco Limited, a subsidiary of PHS Group Investments Limited, issued shareholder loan notes with a par value of £305,000,000 in October 2014. Unless lender consent is obtained, the loan notes can only be repaid when all committed bank borrowings have been discharged in full. Interest accrues at 12% per annum, of which 11.9% is only payable on redemption of the note with 0.1% being payable in twice yearly instalments. In the year ending 31 March 2017, £122,859,000 of the principal was repaid as part of the Group's refinancing. During the current year, interest of £38,765,000 (2018: £34,586,000) accrued on these loan notes.

Management fees of £222,000 (2018: £544,000) were charged during the year by the non executive Directors for the provision of services .

> Notes to the financial statements

for the year ended 31 March 2019

> 32. Ultimate parent and controlling party

In the opinion of the Directors there was no controlling party at the balance sheet date.

> 33. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

The company owns directly 100% of the ordinary share capital of the company listed below. For the company listed, the country of incorporation is the UK and the registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

Name	Principal activity
PHS Holdco Limited	Intermediate holding company

Indirect subsidiary undertaking

The company owns indirectly 100% of the ordinary share capital of the companies listed below. For each company listed, the country of incorporation is the UK and the registered office is 6 Ynys Bridge Court, Gwaelod-Y-Garth, Cardiff, Wales, CF15 9SS.

Name	Principal Activity
3B Waste Solutions Limited	Dormant
Albany Facilities Limited	Dormant
Aqualicious Limited	Dormant
BLR Trust Limited	Dormant
Clean Step Limited	Dormant
Clearfast Waste Disposal Limited	Dormant
Connect Water Systems (UK) Limited	Dormant
Environmental Waste Solutions UK (Holdings) Limited	Dormant
Environmental Waste Solutions UK Limited	Dormant
Floor Protection Services Limited	Dormant
Greencare Environmental Limited	Dormant
Griffin Environmental Services Limited	Dormant
H&A Waste Services Limited	Dormant
Maxitech.Biz Limited	Dormant
MC415 Limited	Dormant
MC494 Limited	Dormant
PHS All Clear Limited	Dormant
Premier Watercoolers Limited	Dormant
Rentacrate (UK) Limited	Dormant
Safe Records Management Limited	Dormant
Scott-Law Archival and File Management Limited	Dormant
Security Shredding Solutions Limited	Dormant
Shredaway Limited	Dormant
Southern Hygiene Services (UK) Limited	Dormant
Urban Planters Limited	Dormant
Watering Well Watercoolers Limited	Dormant

Notes to the financial statements
for the year ended 31 March 2019

The company owns indirectly 100% of the ordinary share capital of the companies listed below. For each company listed, the country of incorporation is the UK and the registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

Name	Principal activity
CLM Safety Limited	Intermediate holding company
Epsilon Test Services Limited	Intermediate holding company
Personnel Hygiene Services Limited	Provision of workplace services
PHS Bidco Limited	Intermediate holding company
PHS Compliance Limited	Provision of workplace services
PHS Group Limited	Intermediate holding company
PHS Holdings Limited	Intermediate holding company
PHS Investments Limited	Intermediate holding company
PHS Services Limited	Intermediate holding company
PHS Washrooms Limited	Intra-group financing intermediary
PHS Wastekit Limited	Dormant
PHS Western Limited	Intermediate holding company
Rentacrate Limited	Dormant
Teacrate Limited	Intermediate holding company
Teacrate Rentals Limited	Provision of workplace services
Tenberry Limited	Dormant
Warner Howard Limited	Dormant
Warner Howard (UK) Limited	Dormant
Warner Howard Group Limited	Dormant
Warner Howard (Holdings) Limited	Dormant
Warner Howard Services Limited	Dormant

The company owns indirectly 100% of the ordinary share capital of the company listed below. For the company listed, the country of incorporation is the UK and the registered office is PHS Washrooms, Part Block 5, Antrim Business Park, Randalstown Road, Antrim, BT41 4LD.

Notes to the financial statements
for the year ended 31 March 2019

Name	Principal Activity
Personnel Hygiene Services (N.I) Limited	Dormant

The company owns indirectly 100% of the ordinary share capital of the company listed below. For the company listed, the country of incorporation is the UK and the registered office is PHS Washrooms, Westrigg, Blackridge, West Lothian, EH48 3AU.

Name	Principal Activity
Reisswolf Scotland Limited	Dormant

The company owns indirectly 100% of the ordinary share capital of the company listed below. For the company listed, the country of incorporation is the UK and the registered office is Unit 1 Parkside Place, Oasis Business Park, Skelmersdale, Lancashire, WN8 9RD.

Name	Principal Activity
Direct365online Limited	Provision of essential business products

The company owns indirectly 100% of the ordinary share capital of the companies listed below. For each company listed, the country of incorporation is Ireland and the registered office is Unit 8, Cherry Orchard Industrial Estate, Dublin 10.

Name	Principal Activity
Hygiene Matters Limited	Dormant
Karmarton Limited	Provision of workplace services

The company owns indirectly 100% of the ordinary share capital of the company listed below. For the company listed, the country of incorporation is Spain and the registered office is Ribera de Elorrieta, 7, 48.015, Bilbao, Bizkaia.

Name	Principal Activity
Servicios de Contenedores Higienicos Sanitarios S.A	Provision of workplace services

Directors and advisors

Directors

D J B TAYLOR-SMITH (APPOINTED 9 APRIL 2018)
C J THOMAS
C R M KEMBALL
R A CEREZO
A NAGWANEY
C G OLDROYD
P J WILLIAMSON (RESIGNED 11 MAY 2018)

Secretary and registered office

D FINLAYSON
PHS GROUP
WESTERN INDUSTRIAL ESTATE
CAERPHILLY
CF83 1XH

Independent auditors

PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
ONE KINGSWAY
CARDIFF
CF10 3PW

Solicitors

BLAKE MORGAN LLP
ONE CENTRAL SQUARE
CARDIFF
CF10 1FS

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