Being human | Being there | Being leaders

PHS Group Investments Limited Annual report
for the year ended 31 March 2017

PHS Group is the leading hygiene services provider in the UK, Ireland and Spain. With over 90,000 customers across 300,000 locations, we meet the needs of more than 100 million people.

Strategic report

Corporate governance

Financial statements

'PHS Group' means PHS Group Investments Limited and its subsidiaries.

Find out more about PHS Group by visiting **www.phs.co.uk**

A year of strong progress

Financial

Turnover £m

+0.6%

EBITDA £m

+11.5%

EBITA £m

+18.7%

EBITDA less capital expenditure £m

+51.5%

Operational

Innovation
Launched new Airstream range of market-leading hand dryers with superior economics for our customers.

Sustainability
Opened LifeCycle waste recycling plant which diverts more than 30,000 tonnes of waste from landfill and converts it into fuel for use in power stations.

Reduced complexity
Continued the improved focus on hygiene-related activities following the successful sale of our Data Solutions business in August 2016.

Performance improvement
Improved operational performance, productivity and efficient deliveries with investment in new operational tools including Route 360.

The financial results above are from continuing operations before exceptional items and the results for the year ended 31 March 2017 refer to the unaudited 52 week pro-forma period.

The leading hygiene services provider in the UK, Ireland and Spain

As hygiene experts, dealing with the business of being human is at the very heart of the service we provide. And with these human needs come strong drivers for continuing growth. Increased hygiene expectations, a growing and ageing population, environmental protection, labour availability and cost, and increasing out-of-home lifestyles all combine to provide opportunities for PHS to create strong and sustainable value for its stakeholders.

PHS has an extensive product and service range, and alongside our hygiene experts we have specialist businesses that meet the specific needs of our customers.

Hygiene

Washroom hygiene

We have:

- An exclusive product range and patented technology
- Optimised servicing schedules and product sanitation
- Innovative water and energy saving solutions

Healthcare hygiene

- We can dispose of healthcare waste from nappies to dental waste to sharps and pharmaceuticals
- Our people are trained and equipped to provide a safe and risk-free service
- Through our new patented LifeCycle process, we are leaders in sustainable waste management

Floorcare hygiene

- Our unique mat products carry the Royal Warrant
- We are the leaders in trapping dirt and eliminating slip risks
- We have an extensive range, from personalised designs to fitted matting systems and safety surfacing for playgrounds
- We have a national network of distribution and laundries

Key benefits

Washroom hygiene

- **Maximise hygienic environment**
- **Prevent cross infection**
- **Save water**
- **Save energy**
- **Optimise janitorial costs**
- **Comply with waste regulations**

Healthcare hygiene

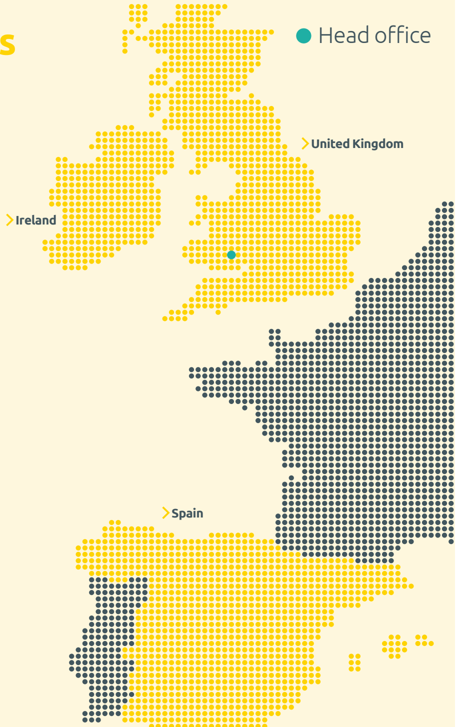
- **Safe disposal, protecting your customers and colleagues**
- **Managing segregation requirements**
- **Compliance and tracking**
- **Waste cost management**
- **Environmental sustainability**

Floorcare hygiene

- **Promote hygienic environment**
- **Protect from trip risk via rain, spills and other moisture**
- **Reduce manual floor cleaning cycles**
- **Personalisation of designs**

Leading hygiene services provider in the UK, Ireland and Spain.

- Unique fleet and operations centre network
- Leadership which cannot be replicated

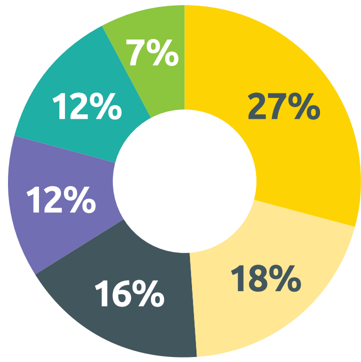


Diverse
Over 90,000 customers

Growing
More than 150 new contracts won every day

Loyal
Over 30,000 customers with PHS for over 10 years

Our customers



- Professional & Financial services
- Leisure & Hospitality
- Healthcare
- Education & Public services
- Retail
- Manufacturing & Engineering

Specialist
PHS also provides a range of specialist services

- Wastekit – Supply and service of compactors and bailers to assist in waste management
- Besafe – Supply and laundry of technical workwear
- Teacrate – Provision and washing of crates, pallets and packing materials
- Greenleaf – Supply and service of live and replica plants
- Compliance – providers of end-to-end technical asset management including statutory Planned Preventative Maintenance

Key benefits

- **Hygienic work environment**
- **Better employee safety**
- **Reduced costs**
- **Employee well-being**
- **Improved waste management**

3,000
A team of over 3,000 expert personnel providing service to more than 300,000 locations

100 million
A network giving full coverage to a population of more than 100 million

50 years
Over 50 years of innovation and investment, transforming the future

90,000
More than 90,000 customers – everything from beach bars in Ibiza to Buckingham Palace

Human needs provide strong drivers

We are all human. From the first moments of infancy, through life, in ill-health and old age, we produce a very wide range of waste that needs to be managed hygienically. As hygiene experts, dealing with the business of being human is at the very heart of the services we provide.

Our unique mat products carry the Royal Warrant.

DIEU ET MON DROIT

By appointment to
Her Majesty Queen Elizabeth II
Suppliers of Mats and
Matting Services
phs Group, Caerphilly

Hygiene

Washroom hygiene

Managing washroom requirements can be complex, and dealing with people's needs – from changing nappies to pregnancy tests and even incontinence – requires specialist knowledge and skills.

Humans are complex, and there is a wide range of reasons why people need to dispose of waste in a sanitary and often discreet way.

There are many other areas in which being human also requires waste generation to be managed, from everyday dirt and odours through less usual germs which may require washing and drying services. This is at the core of our Washroom hygiene business, which is active across our operations and around the clock.

We have an exclusive product range and innovative water and energy solutions, combined with optimised servicing schedules and product sanitation.

Floorcare hygiene

People also create other forms of waste, often affecting where we walk. This type of waste is usually brought in on our footwear or simply caused by spillages. We need to control slip risks, and keep floors hygienic with manageable cleaning costs.

As well as providing suitable mats for businesses and industry, we also launder them and make sure that they continue to function effectively, trapping dirt and retaining moisture.

We have a national distribution and laundry network, and hold a Royal Warrant. Through our extensive range, including personalised and branded designs, we ensure that dirt is trapped and slip risks are eliminated.

Specialist

We also provide a wide range of specialist services with a strong hygiene focus.

As the world becomes more complex, this brings a requirement to manage an ever-increasing number of more specialist hygiene-related needs and situations.

Examples of our specialist expertise businesses include:

- Our Besafe business, which cleans emergency and high-performance safety clothes and uniforms
- Teacrate, which cleans and sanitises the crates that food is delivered in for online shopping
- Wastekit, which helps businesses reduce the cost of waste disposal by compacting through the use of baling and compacting equipment
- Greenleaf, which offers businesses a wide variety of indoor and outdoor planting, artificial and live planting, living walls, grounds maintenance services and even Christmas decorations

Healthcare hygiene

As humans we also produce large quantities of waste that need hygienic attention in healthcare environments such as hospitals, care homes, dental surgeries and pharmacies.

Sharing skills around the Group and operating around a common infrastructure, we dispose of all types of healthcare waste. Our people are trained and equipped to provide a service that is safe and risk-free for our employees, customers, partners and the wider public.

Through our patented LifeCycle process, we are leaders in sustainable waste management.

Our key competitive strengths are based around coverage, our people and our strength behind the scenes

At PHS we have a network giving full coverage to a population of more than 100 million, allowing us to be **'Next door. Everywhere'.** You may find us at your local dentist, collecting and disposing of sharps and dental waste, or at your local doctor's surgery, delivering and installing the latest hygiene technology in washrooms and surgeries protecting the well-being of staff and patients alike.

We have a network of PHS people who are selected, trained and equipped to take care of working environments, so our customers don't have to. Last year, we successfully implemented a new Strengths Based Recruitment process for our hygiene service drivers that has radically changed how we shortlist and select candidates. This new approach is delivering benefits not only for our customers but also for our business. In the first year, we improved the retention rate of new service drivers by over 53%, adding value to our frontline customer relationships.

Our expert operations and call centres form the backbone of PHS and are essential in delivering everything that we do.

With our incredible national and local coverage, we carry out more than 20,000 service visits per day.

1. Next door. Everywhere

- Largest hygiene route network in PHS's chosen markets
- Full geographic coverage supporting national contracts
- Scale and density creating decisive operating economics

2. PHS backbone

- The UK's leading hygiene operations centre network
- Environmental regulations create challenge to replication
- Call centre structure creates scalable support for existing and new customers

3. PHS people

- Selection, equipment and training create competitive advantage and are hurdles to self-operation
- Our teams are connected by market leading technology; we have invested in a CRM platform and mobile workforce solutions to enable our frontline teams to communicate and respond to customers' requests

We are delivering a new generation of leading world-class products and services today

At PHS we don't stand still. We are looking to tomorrow and are ready for the future – that's what being leaders is all about.

PHS people are a key part of this. We match the right people to the right challenges; developing new ways to train, support and communicate.

Alongside people are **PHS products**. Building a strong pipeline of products, such as the Airstream range, our new generation of hand dryers, or our ground-breaking filtration system 'AeraMax', taking clean air to new levels.

Technology has a pivotal role in ensuring that PHS stays ahead and remains the market leader.

Over the past three years we have invested heavily in new **PHS technology**, with our driver mobile workforce solutions.

This investment allows us to complete projects more effectively and deliver the best service to our customers.

Our environment – Our fleet of vehicles incorporate the latest technology to minimise impact on the environment, helping our drivers to achieve greater environmental and fuel efficiencies.

Our unique skill sets and experience mean that we take on challenges and responsibilities for highly sensitive waste streams in society. Historically hygiene waste could either be incinerated or sent to landfill, and neither option is ideal. With our new LifeCycle recycling technology, **we are leading the way in sustainable waste management**.

Technology takes a pivotal role in ensuring PHS stays out in front and leads the market.

PHS people

- Leading staff progression through industry accredited standards and working practices
- PHS training Academy for innovative, flexible learning to develop skills and knowledge

PHS products

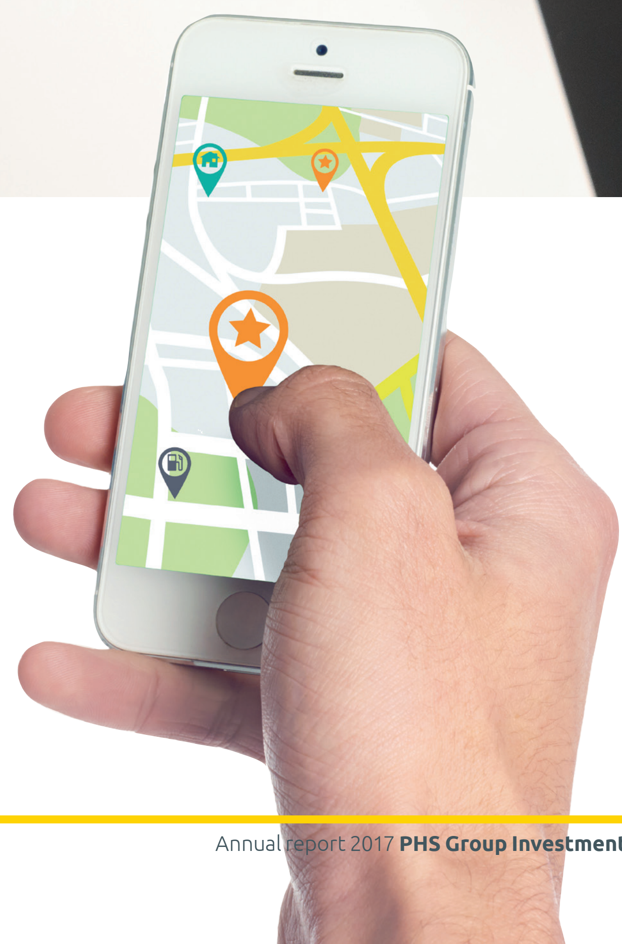
- Bring benefits to our customers through energy, water and cost savings
- Developed by and manufactured for PHS
- Opportunities for premiumisation and range extension
- Technology to help clients monitor washrooms

PHS technology

- Intelligent route planning to reduce emissions
- Service drivers, customer services and sales team all connected via a common platform
- Online account management

Our environment

- Environmental leader
- 6% reduction in our carbon footprint year-on-year
- World leading LifeCycle waste recycling plant with potential to reshape PHS's key waste markets
- Our ongoing investment in fleet replacement has enabled us to improve our average driver mpg by over 15%
- Last year, we invested over £16 million in new vehicles, enabling us to both downsize vehicles and consolidate routes to reduce the number of waste vehicles on the road



Securing our environmental future

PHS is leading the hygiene waste industry with LifeCycle.
With over 50 years' unique experience in managing hygiene waste, we have pioneered a solution for disposing of customer hygiene waste products in an environmentally responsible way.

Top 3 facts

250%
Landfill costs have gone up by over 250% since 2007 and this is set to increase even further.

3.2 million
There are around 3.2 million people in the UK over the age of 65 suffering from urinary incontinence.

500 years
It can take 500 years for hygiene waste such as incontinence pads, nappies and sanitary waste to decompose.

Process
Waste is processed to remove moisture content to leave a sanitised, raw burnable mass. LifeCycle works by shredding the waste before it enters our patented compression process. This enables us to treat it and make a stable structure suitable to be baled as burnable refuse derived fuel (RDF).

Source
Commercial hygiene waste such as nappies, incontinence waste and sanitary waste is collected from cinemas, shopping centres, leisure centres, etc and is delivered to our-state-of-the-art facility.

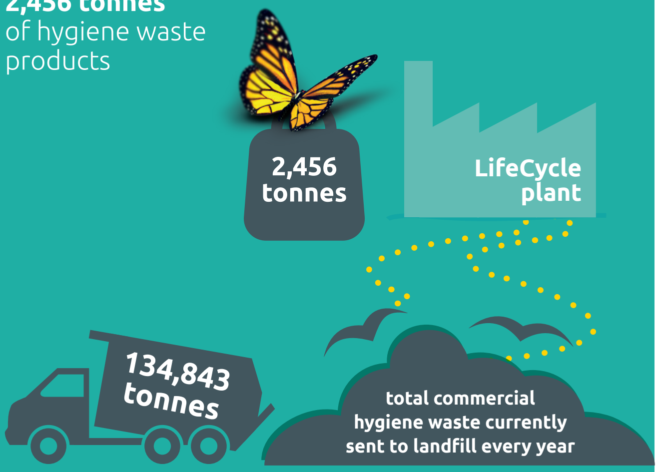
Conversion

The raw material is then burned to create energy. Through our new patented process, we make the waste dry enough to recover energy in the form of RDF.

LifeCycle impact 2017

Since its launch, LifeCycle has collected over **2,456 tonnes** of hygiene waste products

Taken away from landfill in **2017**



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Our target is zero waste to landfill for all our customers' hygiene waste

Power

This energy is then used to power our factories, schools, public buildings, homes and even flush toilets, and the cycle begins again.

What is RDF

Refuse derived fuel is a term used to describe fuel produced from waste that has undergone some sort of process. Materials for recycling and non-combustible materials, such as glass and metals, are removed before the waste is processed.

How can RDF be used?

It can produce electricity and heat for homes and businesses and is often used alongside traditional sources of fuel to power industry. Using non-recyclable waste as a fuel also helps us to reduce our reliance on traditional fossil fuels such as coal.

How are we unique?

PHS LifeCycle uniquely dries wet waste and squeezes out the fluid leaving a clean burnable mass, whereas other providers burn wet waste which is an energy draining method.

What does it mean for our customers?

LifeCycle will benefit our hygiene waste customers, converting hygiene waste products into a highly efficient fuel RDF. LifeCycle makes financial sense, with landfill costs increasing due to the need to hit the UK's environmental targets. LifeCycle means that hygiene waste can be disposed of in an environmentally sustainable way.

A diverse business with a focus on excellence

"The changes delivered in the last year will enable us to realise the excellent growth opportunities which our markets offer."

Introduction
During the financial year ended 31 March 2017, we have continued to implement the three-year plan launched at the beginning of 2015. Alongside changes within the business itself, we have refinanced our existing loan facilities and seen a simplification of our shareholding structure. Taken together, these will position PHS strongly to deliver its three-year plan and further unlock its potential.

Reduced complexity
Following a number of successful disposals in the previous year and the sale of our Data Solutions business in August 2016, PHS's focus is very much on hygiene-related activities, which now account for over 90% of EBITA. This streamlining of the Group's activities has also allowed us to focus on reducing operational complexity within our hygiene activities. During the year, we have invested in technology, processes and tools to allow us to improve performance and service delivery. These include introducing new routing systems, fairer compensation structures for key employee groups, new sales approaches and clearer accountabilities for customer service.

Performance improvement
The cumulative impact of these changes has been substantial, positioning PHS strongly for its future development. They have enabled the Group to deliver a 2.5% margin improvement versus the prior year, and we expect to see further improvements in service delivery and financial performance as we gain the full year benefits during financial year ending 31 March 2018.

PHS has also demonstrated strong cash conversion during the year ended 31 March 2017. This performance reflects the strongly cash-generative profile of PHS's business and has been achieved alongside significant investment in new technology during the year.

Safety
The safety of our customers, employees and the wider public is a major priority for our Board and management. We are pleased to see that the improvements in our performance are matched by improvements in operational safety. During the year, our RIDDOR incidence fell steadily achieving a year-on-year reduction of over 50%. Our operations team continues to target further improvements in this area supported by our Quality, Environment and Safety team.

Growth
The Board believes that the sectors in which PHS operates offer attractive potential for growth. Our market-leading position in hygiene combines unrivalled customer reach and operating economics. Additionally, our markets are underpinned by strong growth drivers such as a growing and ageing population, rising hygiene expectations and increasing regulation.

During the year, PHS implemented significant changes in the way it sells to allow it to unlock this growth potential. The changes included the implementation of Salesforce, the Group's customer relationships management system, opening new desk-based selling channels and introducing new profiles for the sales team. These changes were trialled with very positive results and, as a result, this year has been a period of important transition for the sales team. Many new colleagues joined our team during the year and we enter the new financial year focussed on growth.

Innovation and sustainability
PHS's growth is supported by key product developments and marketing activities. We now have a strong pipeline of innovations coming to market, for example the Airstream range of hand dryers which achieve market-leading performance with superior economics for our customers. Our innovations will support our strategy to win new customers alongside unlocking up-selling opportunities within our existing base of 90,000 customers.

Being responsible
PHS is committed to high standards of governance and corporate stewardship, taking very seriously our responsibilities to all our stakeholders.

Read more 22

Of particular note during this financial year was the launch of our LifeCycle plant in West Bromwich. This plant uses PHS's patented technology to convert a key waste stream from our customers into Refuse Derived Fuel for power stations. The plant will enable PHS to divert over 30,000 tonnes of waste annually from landfill to energy creation. The plant is the first of its kind, and has solicited substantial interest from customers and the media, in the UK and globally. We believe that LifeCycle creates a key point of differentiation for PHS in a core part of its product range.

Refinancing

Our net debt decreased from £549.9m at 31 March 2016 to £494.7m at 31 March 2017. This was possible due to a combination of strong operating cash flow, the proceeds received from the sale of the Data Solutions business and the refinancing of the Company's existing loan facilities. The refinancing, which occurred in December 2016, allowed the Group to repay a portion of its payment in kind (PIK) notes. The Group also reduced its senior debt and obtained more favourable loan conditions, allowing greater flexibility in the future.

At 31 March 2017, our loans consisted of a senior facility of £267.0m (bearing interest of LIBOR / EURIBOR + 5.25% p.a.) and PIK notes of £270.6m (bearing PIK interest of 11.9% p.a. and cash pay interest of 0.1% p.a.). The PIK notes are now owned exclusively by our two shareholders. At the balance sheet date, leverage had reduced to 3.6x EBITDA which the Board considers to be a comfortable level to support our strategy. The Group has continued to operate well within its covenants.

Voluntary cash offer

In April 2016 our two largest shareholders, Anchorage and M&G, made a tender offer to other shareholders to purchase the remaining ordinary share capital of the Company and the PIK debt stapled thereto; the transaction completed later in the year. The Board believes it will be easier to manage the business with a focussed and committed group of two shareholders and appreciates the confidence they have demonstrated in the business. Nevertheless, we would like to thank the exiting shareholders for the support they have offered to the Company since 2014.

Outlook

The past year has seen significant change at PHS producing a business which is less complex and more dynamic. Beyond the substantial improvements in performance delivered so far, the Board and management have ambitious plans to improve and grow the business further. The changes delivered in the past year will enable us to meet the demands of our customers and to realise the excellent growth opportunities which our markets offer.

There remains much to do, and I would like to thank all our staff for the engagement and energy that they have shown in the journey so far. I would also like to extend particular thanks to our customers for their continued support at an important time in our business.

Christopher Kemball

Christopher Kemball
Chairman
30 June 2017

Board focus

The Board provides strong oversight and drive as the company delivers its three-year plan. The Board brings diverse skills and perspective in helping the management team achieve ambitious objectives to improve the performance, growth and sustainability of our business.

Achievements in 2016

- Reduced complexity both in our portfolio of businesses, and our day-to-day processes with our hygiene activities
- Strong margin and cash generation increases from improved operations
- Delivery of a sustainable business exemplified by improved safety and introduction of a pioneering waste disposal technique

Priorities for 2017

Having laid strong foundations, the Board is now focussed on ensuring that PHS unlocks the substantial growth opportunities offered by the attractive markets in which it operates.

Unlocking potential for growth

"We have made substantial improvements in how we work and are excited about the potential which is being unlocked for the future."

For over 50 years, PHS has been ensuring that our customers, and the wider public, enjoy hygienic environments across our chosen markets. It's a great responsibility and opportunity, which the whole PHS team is dedicated to.

Through our history, we have developed unique expertise and infrastructure to lead our market. During the past two years, the whole team has been focussed on ensuring that we are fit for the challenges of an exciting future. We have made substantial improvements in how we work, reducing complexity for our customers and colleagues. We have transformed the way we approach our market, to better meet the growing needs of new and existing customers. We have also laid the foundations for our future leadership of our markets with people, products, technology and environmental solutions which will make positive changes for the lives of everyone.

Dealing with the reality of 'Being Human' is at the heart of everything we do. Over the next pages, we share details of the work we are doing at PHS to ensure that it is a company that everyone is proud of. Although much has been achieved in the past two years, everyone at PHS is excited about the potential which is being unlocked for the future.

Justin Tydeman
Chief Executive Officer
30 June 2017

Investment in LifeCycle

phs LifeCycle™

Read more 16

Hygiene

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

Overview
Turnover for the Hygiene division increased by 0.4% to £204.7m (2016: £203.9m) mainly due to favourable exchange rate movements on the translation of its European operations of £2.7m. Adjusting for this effect, turnover decreased by 1.0% to £204.7m (2016: £206.7m). Despite the reduction in turnover, operating profit before central costs and exceptional items increased by 3.8% to £63.4m (2016: £61.1m) largely due to the work performed on the Group's three workstreams (described below under 'Performance improvements – Fresh') which improved the operating efficiency of the division during the year. Hygiene division profit represents over 90% of the Group's operating profit before central costs and exceptional items.

In order to present a true reflection of the Group's performance, the commentary detailed above compares the unaudited pro-forma result for the 52-week year ended 31 March 2017 to the result for the 52-week year ended 31 March 2016.

"We have transformed the way we approach our market, to better meet the growing needs of new and existing customers."

The Market
The business is rooted in the eternal 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 sanitary waste disposal and handling. It also provides air freshening, hand cleansing and hand drying services, as well as a wide range of ancillary supporting services.

Healthcare hygiene – PHS's skills in disposing of waste from human beings are also valued by a range of customers in dentistry, pharmacies, nurseries, hospitals and other specialised environments. PHS safely disposes of bulk sanitary waste, pharmaceuticals, sharps, dental amalgams and other similar categories of waste.

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

This service offering combines to be an essential foundation to keeping the world fresh 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 drivers including:

- Rising societal expectations
- Ageing population
- Medical developments
- Efficient use of increasingly expensive labour
- Premiumisation (e.g. soap and fragrances)
- 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. PHS calls this being 'Next door. Everywhere.' The dense operating network enables it to offer high levels of customer service, alongside cost leadership.

Operations centre network
PHS has a strong network of operations centres. These centres are highly regulated, governing the detail of how PHS can work in its market. The network has been carefully developed over many years and represents an important asset in developing its business.

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

Development highlights
PHS operates in an attractive market, with an excellent market position. Nonetheless, it continues to pursue developments to further enhance its business.

Performance improvements – Fresh
During this financial year, PHS continued its programme to improve its performance in key areas. This programme is known internally as 'Fresh'.

The Fresh programme comprises three workstreams.

Winning our customers
Winning our customers comprises a range of changes to the way that PHS's sales teams work day-to-day. The workstream has the objective to increase the productivity of the sales teams and improve their ability to access and attract new customers. These changes are supported by the implementation of new tools to ensure that leads are efficiently shared and managed.

Like clockwork
Like clockwork focuses on changes to work practices in PHS's route operations teams. These are targeted to improve the Group's route productivity and ensure on-time delivery of its services. These changes are supported by changes to the operational tools (mobile working solution), compensation structure, training and recruitment of front-line personnel.

Case solved
Case solved addresses how customer service cases are dealt with across the Group. Sales teams, drivers, operations centres and the central call centres all interact with customers. This workstream brings clarity to how customer cases are handled, increasing responsiveness for customers and removing inefficiencies associated with unclear hand-offs between colleagues.

> "PHS Airstream Pure Hand Dryer achieved an external accreditation from NSF International."

Product innovation
Product innovation is an important contributor to further developing PHS's market leading position. This year the Group has continued to focus on class leading product propositions that support 'Well-being' whilst delivering innovation and differentiation.

During the year, PHS launched PHS AeraMax Professional as an exclusive air purification and odour reduction solution. This is an exclusive proposition for PHS to help promote the benefits of 'Well-being' throughout the workspace or public space. PHS AeraMax Professional is the first commercial air purifier certified asthma and allergy friendly™ by the Asthma and Allergy Foundation of America (AAFA). It is ideal for both inside and outside the washroom space and is designed to improve indoor air quality.

Further showing our strength in 'Well-being' and 'Innovation', PHS Airstream Pure Hand Dryer achieved an external accreditation from NSF International by passing their hygiene accreditation (P335 – Hygienic Commercial Hand Dryers Protocol) and delivering the 'World's 1st' fully serviced hand dryer approved by NSF International. PHS Airstream Pure features an innovative 'Click-On-Click-Off' back plate design allowing the dryer to be exchanged by a non-electrically qualified operative, which means that if a dryer is damaged or stops working it can quickly be exchanged without the intervention of an electrician. With a dry time of less than 15 seconds and integral HEPA filters that remove 99.9% of bacteria and viruses from the drying air, this provides the ultimate fully serviced hygienic hand drying solution.

Within our Warner Howard business a new EL600 commercial hand dryer was launched, designed for the electrical wholesalers and specifier market where a value based alternative is required. At only 0.6kW this is a class leading dryer on energy efficiency with five hundred dries costing as little as 14 pence.

LifeCycle
PHS continued to demonstrate its market leading position in the waste industry with the opening of LifeCycle, a world leading waste recycling plant. With over 50 years of experience in managing hygiene waste, PHS is uniquely positioned to develop this alternative for disposing of hygiene waste in an environmentally responsible way.

Based in West Bromwich and using PHS's patented technology, the plant turns hygiene waste into a fuel source for use in power stations.

The plant has capacity to divert over 30,000 tonnes of waste from landfill each year and is the only facility of this kind in the UK. PHS customers share its environmental concerns and, with the options to incinerate becoming unsustainable, the opening of LifeCycle creates a mutually attractive solution in a core part of the Group's product range.

Supply chain
Over the last year PHS has been reviewing the way in which it procures its proprietary hygiene products and working on a phased project to outsource. The project will result in the realisation of significant improvements in quality, flexibility and cost for serviced customers as well as opening up an opportunity to enter international hygiene products markets.

As well as looking to reduce the complexity of a number of its processes, PHS has been addressing its supply chain to ensure that it has the right suppliers in place to support the Group over the next three to five years. Key to its success is establishing more meaningful and mutually beneficial relationships with fewer suppliers as well as ensuring that PHS has the best possible commercial terms in place whilst continuing to receive the service and quality levels required to run the Group effectively. PHS has made excellent progress so far, and the project will continue into the new financial year.

We provide a wide range of specialist services

Specialist

Our Specialist businesses have strong positions in their individual marketplaces.

Overview
Turnover for the division from continuing operations increased by 1.1% to £64.1m (2016: £63.4m). Operating profit before central costs and exceptional items increased by 22.6% to £6.5m (2016: £5.3m) mainly due to a £1.0m profitability improvement seen in Compliance.

Development highlights
Data Solutions was sold during the year to Restore plc completing a disposals programme that commenced in early 2015.

Wastekit has introduced a new range of products manufactured by HSM. Based in Germany, HSM is one of the largest European manufacturers of vertical balers and other waste-handling equipment with a strong reputation for product reliability and quality. Wastekit continues to source some products from Orwak AB, with whom it had a previous agreement, and has secured from them a commitment which will guarantee spare parts availability for the installed base in the UK and Ireland.

Besafe has had a successful year under a largely new management team with a strong financial performance driven by major customer wins. Besafe's unique solutions for high visibility workwear supply and laundering remain market-leading and it introduced several new products and services in the year which are expected to deliver further profitable growth.

Compliance performed strongly across all its key products and services. It has deliberately focussed on particular customer segments where it is able to form reliable partnerships with customers and suppliers. Compliance has developed the capacity to manage the full lifecycle of its customers' electrical infrastructures, ensuring that cost effective and safe repair and replacement cycles are fully optimised.

Teacrate has built on the success of barcoded crates by further developing its own software application for handheld devices including smartphones. Customers are now able to record crate movements and locate crates out on rental within their organisation at the touch of a screen. The core crate rental market is largely driven by office moves, which have been patchy this year, but Teacrate remains a market leader with a well-resourced network covering the entire UK.

Greenleaf appointed an experienced new Managing Director in February 2017. The business enjoyed another year of solid profit, underpinned by a very strong service delivery performance, after several previous years of trading losses. Greenleaf is focussed on core services in key territories and has also introduced exciting new products such as Living Walls to provide a vibrant customer experience.

"Greenleaf is focussed on core services in key territories and has also introduced exciting new products such as Living Walls to provide a vibrant customer experience."

Disciplined financial stewardship

"Strong growth in EBITA from continuing operations."

Group turnover

£268.8m +0.6%

(2016: £267.3m)

EBITDA

£62.8m +11.5%

(2016: £56.3m)

Overview

Ordinarily, the Group prepares its financial statements for the year based on a 52-week period. However, in order to account for the extra days in a full calendar year, every six years or so the Group prepares its financial statements based on a 53-week period. The year ending 31 March 2017 is such a year and consequently the results shown in these financial statements are based on a 53-week period with the comparative year being a 52-week period. The loss after tax for the Group for this year is £32.2m (2016: £42.9m).

In order to present a true reflection of the Group's performance, the commentary that follows compares the unaudited pro-forma results for the 52-week year ended 31 March 2017 to the results for the 52-week year ended 31 March 2016.

During the year, Group turnover from continuing businesses increased by 0.6% to £268.8m (2016: £267.3m), while operating profit from continuing businesses before shared services and exceptional items improved by 5.3% to £69.9m (2016: £66.4m). Central costs decreased by 11.7% to £25.6m (2016: £29.0m) leading to EBITDA before exceptional costs of £62.8m (2016: £56.3m); an increase of 11.5%. The margin earned before exceptional costs, increased to 16.5% (2016: 14.0%).

Exceptional costs of £10.8m (2016: £8.3m) were incurred in the year, along with an amortisation charge of £33.6m (2016: £33.1m), resulting in an operating loss of £0.1m (2016: loss of £4.0m).

Net finance charges for the financial year were £60.4m (2016: £61.2m) of which £19.5m (2016: £21.7m) relates to finance charges on external borrowings. The reduction in finance charges on external borrowings reflects the reduction in the Group's net debt as a result of the repayments made during the current and prior year. The pre-tax loss decreased to £60.5m (2016: £65.2m) as a result of the combined effect of improved operating profit and reduced finance charges.

The tax credit for the year was £8.3m (2016: £9.2m credit), resulting in a net loss for the financial year of £52.2m (2016: £56.0m).

Re-organisation costs and one-off items

Exceptional costs totalling £10.8m were incurred during the year (2016: £8.3m). These included costs and impairment of assets associated with both the restructuring of certain businesses and the decision to step away from a large crate washing contract which was loss making, start-up costs associated with developing new business processes, and legal and professional fees associated with the refinancing of the Group.

Cash flow and net debt

Net cash generated from operating activities, as shown in the 'Consolidated statement of cash flows', increased by 25.2% to £73.0m (2016: £58.3m) and, after capital expenditure of £21.2m (2016: £28.9m), the net cash inflow from operating activities increased by 76.2% to £51.8m (2016: £29.4m). Capital expenditure was lower due to the current and prior year disposals coupled with the reduced complexity of the continuing business portfolio.

Net debt decreased by £55.2m to £494.7m (2016: £549.9m) at 31 March 2017 as a result of proceeds received from the disposal of the Data Solutions business as well as cash generated from operating activities. Details of the borrowings facilities are provided in note 24 to the financial statements.

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

“We have a strong pipeline of innovations coming to market.”

Disposals
The Group completed the sale of its Data Solutions business during the year for total consideration of £83.0m and a profit before tax of £22.4m. Net reductions totalling £1.3m were made to the profit on disposal of businesses sold in the prior year resulting in a total profit on disposal of £21.1m for the year.

The Directors present the Strategic report of PHS Group Investments Limited for the 53-week year ended 31 March 2017.

Pro-forma profit and loss account
The Directors believe that it is necessary to show adjusted trading results for the 53-week year ended 31 March 2017 so that they are comparable to the 52-week year ended 31 March 2016. The unaudited results in the table below show the adjusted trading results for the year ended 31 March 2017 for 52 weeks on a pro-rata basis.

The results discussed in the Strategic report and Directors’ report refer to the unaudited 52 weeks pro-forma profit and loss account below.

Colin Thomas
Chief Financial Officer
30 June 2017

	Note	Audited 2017 Continuing operations 53 weeks £’000	**Unaudited 2017 Continuing operations 52 weeks ‘pro-rata’ £’000**	Audited 2016 Continuing operations 52 weeks £’000
Turnover		273,190	**268,799**	267,323
EBITDA before exceptional items		63,795	**62,750**	56,301
Growth rate		*13.3%*	***11.5%***	*-0.1%*
Depreciation (excluding exceptional items)		(18,745)	**(18,414)**	(18,943)
EBITA before exceptional items		45,050	**44,336**	37,358
Growth rate		*20.6%*	***18.7%***	*3.9%*
Amortisation	1	(33,564)	**(33,564)**	(33,113)
Exceptional costs – other	1	(8,846)	**(8,846)**	(8,249)
Exceptional costs – depreciation	1	(1,994)	**(1,994)**	(24)
Operating profit / (loss)		646	**(68)**	(4,028)
Interest receivable and similar income		467	**458**	224
Interest payable and similar expenses		(62,026)	**(60,856)**	(61,426)
Loss before taxation		(60,913)	**(60,466)**	(65,230)
Tax on loss		8,460	**8,300**	9,199
Loss for the financial year		(52,453)	**(52,166)**	(56,031)

Note 1
No adjustment has been made to either Amortisation or Exceptional costs as a result of the 53-week year. Consequently, the figures are as reported in the Consolidated profit and loss account.

A disciplined risk management approach

The principal risks and uncertainties that are felt to impact 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 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."

Focused on clear goals and measurement

The following financial and non-financial key performance indicators are used to judge performance towards those strategic objectives listed above. The key performance indicators for 2017 have been calculated on the unaudited pro-forma result for the 52-week year ended 31 March 2017.

Financial KPIs

Change in turnover

+0.6%

EBITA from continuing operations before exceptional items

+18.7%

EBITDA from continuing operations before exceptional items

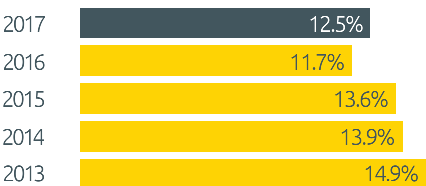
+11.5%

Net cash inflow from operating activities less capital expenditure

+76.2%

Non-financial KPIs

Customer churn



'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.

'Customer churn' is calculated as the value of cancellations for the year divided by the average opening contractual business pool. Cancellations include customer's 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.

Retaining its customers is vital to PHS's success. It is encouraging that customer churn in 2016 and 2017 was significantly better than the historic trend. The operational improvement undertaken during the year is expected to help further improve customer retention.

Recognising the importance of our corporate and social responsibilities

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 utilising The Institute of Occupational Safety and Health (IOSH) accredited courses.

During recent years, there has been an emphasis on reducing the number of motor accidents stemming from the Drive Well initiative launched in 2013. This initiative established guidelines on minimum recruitment standards, individual driver assessment, comprehensive training, improved accident reporting and investigation.

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 continual 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 IOSH and the Chartered Quality Institute. There are also two dangerous goods safety advisors and all other members of the team are NEBOSH, Green Belt Six Sigma and Institute of Environmental Management and Assessment (IEMA) certified. Two members of the team are competent persons for machinery safety to ensure compliance with the provision and use of work equipment regulations (PUWER).

“The Group’s focus on providing quality assured, recyclable, energy-efficient products to help customers manage their environmental impact drives the Group’s product development.”

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. Specific items of legislation considered included: The Hazardous Waste (England and Wales) (Amendment) Regulations 2016 and the changes to the Sentencing Council guidelines for Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences.

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. This year has seen a number of investments made in order to improve the energy efficiency of the Group’s buildings, including lighting upgrades, equipment upgrades and improved insulation and heat retention.

During the year, PHS launched LifeCycle, a world leading waste recycling plant that uses PHS’s patented technology to convert hygiene waste into Refuse Derived Fuel for power stations. The plant has capacity to divert 30,000 tonnes of waste from landfill each year. Current estimates are that within a decade the UK’s landfill sites will be full and, with the inefficiencies of burning wet waste, LifeCycle provides a cost effective and environmentally sustainable solution for disposing of hygiene waste products.

Vehicle fuel is responsible for over 70% of the Group’s 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 Euro 5 standards as a minimum, 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.

People
PHS employs over 3,000 people throughout the UK, Ireland and Spain. The quality and commitment of its people differentiates it from its competitors. During the year, PHS introduced strengths-based recruitment across a number of key areas which increases the likelihood of matching the right candidate to the right job. The improved recruitment and induction process has made a noticeable difference to the new employee’s experience and has increased staff retention in these areas as a result. The investment in HR support has also had a positive effect.

The Group strives to create an environment where ideas and contributions are welcomed and where its people understand that it also takes its broader responsibilities towards the community and the environment seriously.

It is established Group policy to offer the same opportunities to all employees, irrespective of race, colour, nationality, ethnic or national origin, religion or belief, sex, sexual orientation, marital status, pregnancy, maternity, disability or age. This policy applies to the advertising of jobs, recruitment and selection, training and development, opportunities for promotion, conditions of service, benefits, facilities and pay, health and safety, conduct at work, grievance and disciplinary procedures, and termination of employment.

In the event that a member of staff becomes disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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

PHS was very pleased to achieve reaccreditation for Investors in People (IIP) during the year. IIP sets the standard for people management and accreditation recognises organisations that improve their business performance by effectively managing and developing people. The Group has been an Investor in People (IIP) since 2000 and it continues to be a real achievement to be accredited against this latest, more rigorous standard.

A progressive approach to career development

PHS's progress in this area was also shown through the results of our employee survey. The Company ran a Group-wide engagement survey in November with an overall engagement score of 65%. These results confirmed meaningful steps forward since the last survey in 2014. In 17 out of 19 comparable questions, PHS improved including:

- where I work, I feel I can speak openly and honestly (+24.6%);
- I get regular feedback on my performance from my Manager / Supervisor (+20.6%); and
- doing the best for our customers is a high priority for PHS (+17.8%).

The Company is committed to further improvement. The current engagement score represents an average level for our peer group, and following the initial results a series of listening groups were arranged in order to understand deviations from the expected results. Each area of the business has shared the results with their teams and agreed improvement actions. The focus is on three key areas for improvement, reflecting the fact that our employees have experienced considerable change over the past two years:

- feeling valued;
- career development; and
- consistency.

The Executive team will review all improvements and a pulse survey will be carried out later in 2017 to monitor progress.

Learning and development

Learning and development is a vital part of PHS's success. The PHS Academy is central to that, and it was re-launched during the year with a new positioning that will benefit all employees. It offers flexibility by recognising that learning takes place inside and outside the training room and also brings together the training offered in other parts of the Group.

As part of creating a positive and welcoming image for new starters, the team created and launched an introductory presentation which is shared with all new colleagues from the moment they receive an offer of employment. This gives them an insight into PHS and what to expect when they join the Group. This welcoming feeling carries on to their first day of employment and through their probationary period with our 'Welcome to the Team' presentation and supporting materials.

phs Academy

The Learning and Development team also focused attention on supporting the three workstreams communicated during the Fresh events last year. These included Like Clockwork where the team developed and delivered training sessions to all Washroom Depot Managers and Administrators to provide them with the skills and knowledge to conduct effective driver briefings. In the same area, the team also provided training on the new handheld devices to almost 1,100 Service Drivers in the Hygiene division. In Case Solved, the team delivered Salesforce training across the Hygiene division as well as those working in Customer Services.

Throughout their career all employees will come into contact with the Academy, whether this is via their PC, handheld device or in meeting rooms. The Group's employees have highlighted that they want to develop better skills and their careers, and the PHS Academy will help to meet these expectations. The aim is to encourage everyone to be the best they can be and to learn new skills to do their job and to be ready for their next challenge as well as being able to have the confidence to meet PHS's future business needs.

"Throughout their career all employees will come into contact with the Academy, whether this is via their PC, handheld device or in meeting rooms."

Ethical policies
The Group is committed to tackling any form of bribery within the organisation, whether involving employees or associated persons, including agents, subsidiaries, intermediaries, consultants and contractors. Procedures to ensure that all employees and those working for or on behalf of the Group are aware of their legal obligations when conducting company business have been introduced. All employees, workers and agents acting for or on behalf of the Group are required to act in accordance with the terms of this policy.

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 any 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. To ensure that its efforts in this area are focused and productive, the Group launched its own charitable foundation in 2013.

All charity fundraising is organised through the PHS Foundation. During the year, the Group supported two national fundraising days chosen by our teams – Children in Need and Comic Relief – and raised in excess of £12,000, including match funding by PHS. As well as raising money for important causes, the Group's charity days encourage teams to work together and share ideas for fund raising. A Charities Committee, made up of employee representatives across the Group, will also be responsible for awarding match funding for teams who want to take part in charity events of their choice. PHS will match fund ten teams up to £1,000 each.

"During the year, the Group supported two national fundraising days chosen by our teams – Children in Need and Comic Relief – and raised in excess of £12,000, including match funding by PHS."

Strongly positioned for future growth

Public bodies and businesses in the UK and other European markets continue to seek cost efficiencies which can lead to increasing price pressures in the workplace service industry. PHS believes that, while such pressures have not increased through this financial year, they continued to have some impact on its results. However, the Group enters the new financial year in a strong position, with a large sales pipeline, and a well-developed and focused operating infrastructure providing national coverage for its customers.

The Group has strong relationships with its customers in both the public and private sectors and a commitment to provide quality and value through investment in its people and technology. New product and service launches planned for the new financial year will further differentiate the Group's customer offering.

In the short-to-medium term, the Group is principally focused on increasing sales, streamlining operations and reducing the complexity of the Group. The Board is confident that the Group's strategic priorities together with a stronger balance sheet and favourable cash generation will deliver growth in the business.

Approved and signed on behalf of the Board

Justin Tydeman
Chief Executive Officer

Colin Thomas
Chief Financial Officer
30 June 2017

"The Group has strong relationships with its customers in both the public and private sectors and a commitment to provide quality and value through investment in its people and technology."

Corporate governance

Experienced and responsible management team

Justin Tydeman
Chief Executive Officer

Justin Tydeman is Chief Executive Officer of PHS. He was formerly CEO of Selecta Group, a Swiss route-based coffee service company with 5,000 employees and sales of €700m across Europe. Prior to 2007, Selecta was part of Compass Group plc, a FTSE 100 catering and FM group where he held roles including Group Corporate Development Director. Justin qualified as a Chartered Accountant with Arthur Andersen having studied Politics, Philosophy and Economics at Keble College, Oxford. He is currently a Trustee and Chair of the Finance Committee of Leonard Cheshire Disability which provides care services in the UK and internationally.

Colin Thomas
Chief Financial Officer

Colin Thomas was appointed to the Board of PHS as Chief Financial Officer on 15 July 2016. 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 with PwC and holds a BSc (Hons) in Mathematics having studied at University College Cardiff.

Simon Woods
Executive Director, Specialist

Simon Woods is currently Executive Director of the Specialist businesses, having previously been Chief Financial Officer from November 2012 to mid 2015. He joined from Centrica plc, a FTSE 100 company, where he was Interim Finance Director for British Gas Business. Before that he was Finance Director of Biffa's waste collection business, having previously been Biffa's Group Financial Controller and Finance Director of Reliance Security Services. Simon qualified as a Chartered Accountant at KPMG having studied International History at the London School of Economics.

Christopher Kemball
Non-Executive Chairman

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 Cambian Group plc, a London listed behavioural healthcare services business, and Wren Investment Office Limited, an ultra high net worth family office. He has broad experience of chairing both publicly listed and private equity owned companies. He holds a BA (Hons) in Law from Cambridge University.

Arun Nagwaney
Non-Executive Director

Arun Nagwaney was appointed as Non-Executive Director of PHS on 22 June 2017. 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 B.A. from University of Cambridge.

Graham Oldroyd
Non-Executive Director

Graham Oldroyd is a Non-Executive Director of PHS and is Chairman of the Remuneration Committee. He is a former partner of private equity fund manager Bridgepoint with extensive experience serving as a Director or Chairman of UK and international companies. He is Chairman of Ideal Standard International NV, a Non-Executive Director of Henderson Alternative Strategies Trust plc, and of Nobina AB (publ.) in Sweden. 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.

Mike Pacitti
Non-Executive Director

Mike Pacitti is a Non-Executive Director of PHS and is Chairman of both the Audit and Acquisitions & Disposals Committees. He was a Director at private equity investor 3i plc for over 20 years and has been a non-executive on the board of over 25 companies including more recently at House of Fraser, Keepmoat and CALA Group. He qualified as a Chartered Accountant with KPMG and is currently on the Audit Committee of The Institute of Chartered Accountants of Scotland (ICAS).

Christoph Sander
Non-Executive Director

Christoph Sander is a Non-Executive Director of PHS. He is industrial advisor to Altor and Triton private equity funds and serves as Chairman of Papyrus AB in Sweden. He is also Chairman of Unbound in London. Prior to this he was appointed by Goldman Sachs and EQT to the Board of ISS A/S in Copenhagen, where he also served as Chairman of the Acquisition Committee. Previously he was Executive Director of Bunzl plc with responsibility for the UK, Europe and Australasia, which he led for 12 years from its inception to become the global market leader. He also worked at The Boston Consulting Group in London and Germany, and was educated at Cambridge (MA in Economics) and at Harvard (MBA from Harvard Business School).

Peter Williamson
Non-Executive Director

Peter Williamson is a Non-Executive Director of PHS. He holds a Master of Business Administration and is an Engineer. Between 1993 and 2010 he worked in various positions for BTR Automotive, Metzeler, Trelleborg, Xerium Technologies and IBP Group in locations in Europe, USA and Asia. Since 1999 he has worked in businesses owned by private equity with Metzeler, belonging to CVC, and Xerium Technologies, an Apax portfolio business. His final executive position was as Group CEO for IBP Group (a Sun Capital Partner portfolio business). Since then, he has worked as an operating partner for Better Capital and currently has a portfolio of non-executive appointments.

A year of strong progress

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2017.

Principal activities
The Company acted as a holding company for a group of companies which provided workplace services during the year. It is anticipated that the role of the Company within the Group will remain unchanged into 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 risk of increasing interest rates in the short term to be low.

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 key customer or supplier relationship.

Directors
A profile of all Directors of the Company who served at any time during the year and up to the date of signing the financial statements along with biographical information is shown on pages 28 and 29.

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.

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.

Key performance indicators
Please refer to the KPIs shown on page 21.

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.

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

Colin Thomas

Colin Thomas
Chief Financial Officer
30 June 2017

Report on the financial statements

Our opinion

In our opinion, PHS Group Investments Limited's Group financial statements and Company financial statements (the 'financial statement'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2017 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group and Company balance sheets as at 31 March 2017;
- the Consolidated profit and loss account for the year then ended;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on pages 30 and 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
3 July 2017

Financial statements

Consolidated profit and loss account
for the year ended 31 March 2017

	Note	31 March 2017 Continuing operations £'000	31 March 2017 Discontinued operations £'000	31 March 2017 Total £'000	31 March 2016 Restated Continuing operations £'000	31 March 2016 Restated Discontinued operations £'000	31 March 2016 Restated Total £'000
Turnover	4	**273,190**	**21,985**	**295,175**	267,323	84,820	352,143
EBITDA before exceptional items		**63,795**	**4,172**	**67,967**	56,301	21,333	77,634
Depreciation (excluding exceptional items)		**(18,745)**	**(844)**	**(19,589)**	(18,943)	(5,371)	(24,314)
EBITA before exceptional items		**45,050**	**3,328**	**48,378**	37,358	15,962	53,320
Amortisation		**(33,564)**	**(1,335)**	**(34,899)**	(33,113)	(7,655)	(40,768)
Profit on disposal of operations	30	**–**	**21,123**	**21,123**	–	7,722	7,722
Exceptional costs – other		**(8,846)**	**(145)**	**(8,991)**	(8,249)	(37)	(8,286)
Exceptional costs – depreciation		**(1,994)**	**–**	**(1,994)**	(24)	–	(24)
Operating profit / (loss)	6	**646**	**22,971**	**23,617**	(4,028)	15,992	11,964
Interest receivable and similar income	10	**467**	**–**	**467**	224	–	224
Interest payable and similar expenses	11	**(62,026)**	**(1)**	**(62,027)**	(61,426)	–	(61,426)
(Loss) / profit before taxation		**(60,913)**	**22,970**	**(37,943)**	(65,230)	15,992	(49,238)
Tax on (loss) / profit	12	**8,460**	**(2,740)**	**5,720**	9,199	(2,847)	6,352
(Loss) / profit for the financial year		**(52,453)**	**20,230**	**(32,223)**	(56,031)	13,145	(42,886)

Consolidated statement of comprehensive income
for the year ended 31 March 2017

	31 March 2017 £'000	31 March 2016 £'000
Loss for the financial year	**(32,223)**	(42,886)
Other comprehensive (expense) / income		
Currency translation differences	**(1,169)**	(1,192)
Actuarial gain / (loss) on defined benefit schemes	**770**	(148)
Pension surplus not recognised	**(770)**	(52)
Other comprehensive expense for the year	**(1,169)**	(1,392)
Total comprehensive expense for the year	**(33,392)**	(44,278)
Loss for the year attributable to:		
Owners of the parent Company	**(32,223)**	(42,886)
Total comprehensive expense attributable to:		
Owners of the parent Company	**(33,392)**	(44,278)

Balance sheets

as at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Fixed assets					
Intangible assets	15	**448,048**	534,493	**–**	–
Tangible assets	16	**51,892**	66,852	**–**	–
Investments	17	**–**	–	**21,500**	21,500
		499,940	601,345	**21,500**	21,500
Current assets					
Stocks	18	**7,140**	7,230	**–**	–
Debtors	19	**71,083**	81,068	**250**	142
Cash at bank and in hand	20	**42,896**	74,772	**1**	–
		121,119	163,070	**251**	142
Creditors: amounts falling due within one year	21	**(120,564)**	(130,014)	**(1,209)**	(696)
Net current assets / (liabilities)		**555**	33,056	**(958)**	(554)
Total assets less current liabilities		**500,495**	634,401	**20,542**	20,946
Creditors: amounts falling due after more than one year	22	**537,599**	624,615	**–**	–
Provisions for liabilities					
Deferred taxation	26	**32,166**	41,385	**–**	–
Other provisions	27	**9,067**	13,346	**–**	–
		41,233	54,731	**–**	–
Capital and reserves					
Called up share capital	28	**311**	311	**311**	311
Share premium account	29	**21,189**	21,189	**21,189**	21,189
Profit and loss account	29	**(99,837)**	(66,445)	**(958)**	(554)
Total equity		**(78,337)**	(44,945)	**20,542**	20,946
		500,495	634,401	**20,542**	20,946

The financial statements of PHS Group Investments Limited (company number 09213233) were approved and authorised for issue by the Board on 30 June 2017 and were signed on its behalf by:

Justin Tydeman
Chief Executive Officer

Colin Thomas
Chief Financial Officer

The notes on pages 42 to 60 form part of these financial statements.

Consolidated statements of changes in equity

For the year ended 31 March 2017	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	311	21,189	(66,445)	(44,945)
Comprehensive expense for the year				
Loss for the financial year	–	–	(32,223)	(32,223)
Currency translation differences	–	–	(1,169)	(1,169)
Other comprehensive expense for the year	–	–	(1,169)	(1,169)
Total comprehensive expense for the year	–	–	(33,392)	(33,392)
At 31 March 2017	311	21,189	(99,837)	(78,337)

For the year ended 31 March 2016	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2015	311	21,189	(23,342)	(1,842)
Comprehensive expense for the year				
Loss for the financial year	–	–	(42,886)	(42,886)
Currency translation differences	–	–	(1,192)	(1,192)
Actuarial losses on pension scheme, net of movement on unrecognised surplus	–	–	(200)	(200)
Other comprehensive expense for the year	–	–	(1,392)	(1,392)
Total comprehensive expense for the year	–	–	(44,278)	(44,278)
Contributions by and distributions to owners				
Proceeds of shares issued by subsidiary company	–	–	1,175	1,175
Total transactions with owners	–	–	1,175	1,175
At 31 March 2016	311	21,189	(66,445)	(44,945)

The notes on pages 42 to 60 form part of these financial statements.

Company statements of changes in equity

For the year ended 31 March 2017	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	**311**	**21,189**	**(554)**	**20,946**
Comprehensive expense for the year				
Loss for the financial year	**–**	**–**	**(404)**	**(404)**
Total comprehensive expense for the year	**–**	**–**	**(404)**	**(404)**
At 31 March 2017	**311**	**21,189**	**(958)**	**20,542**

For the year ended 31 March 2016	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2015	311	21,189	(119)	21,381
Comprehensive expense for the year				
Loss for the financial year	–	–	(435)	(435)
Currency translation differences	–	–	35	35
Actuarial losses on pension scheme	–	–	(35)	(35)
Total comprehensive expense for the year	–	–	(435)	(435)
At 31 March 2016	311	21,189	(554)	20,946

The notes on pages 42 to 60 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Loss for the financial year	**(32,223)**	(42,886)
Adjustments for:		
Taxation	**(5,720)**	(6,352)
Interest payable	**62,027**	61,426
Interest receivable	**(467)**	(224)
Profit on disposal of operations	**(21,123)**	(7,722)
Amortisation of intangible assets	**34,899**	40,768
Depreciation of tangible assets	**21,583**	24,338
Loss on disposal of tangible assets	**1,771**	184
Difference between pension charge and cash contributions	**–**	(200)
Increase in stocks	**(95)**	(318)
Decrease / (Increase) in debtors	**13,989**	(52)
Decrease in creditors	**(2,087)**	(10,576)
Corporation tax received / (paid)	**402**	(79)
Net cash generated from operating activities	**72,956**	58,307
Cash flows from investing activities		
Purchase of subsidiaries and other businesses (net of cash acquired)	**–**	(45)
Proceeds from sale of subsidiaries and other businesses (net of cash disposed)	**79,481**	115,047
Purchase of tangible fixed assets	**(21,208)**	(28,873)
Sale of tangible fixed assets	**94**	234
Interest received	**419**	224
Hire purchase interest paid	**(6)**	(21)
Net cash generated from investing activities	**58,780**	86,566

Consolidated statement of cash flows
for the year ended 31 March 2017 continued

	2017 £'000	2016 £'000
Cash flows from financing activities		
Repayment of finance leases	**(25)**	(92)
Repayment of loans	**(206,399)**	(94,733)
Deposits required for bank guarantees	**(7,844)**	–
Proceeds from issue of bank borrowings	**71,430**	–
Interest paid on loans	**(20,171)**	(28,144)
Proceeds of shares issued by subsidiary company	**–**	1,175
Net cash used in financing activities	**(163,009)**	(121,794)
Net (decrease) / increase in cash and cash equivalents	**(31,273)**	23,079
Cash and cash equivalents at beginning of year	**74,772**	51,393
Foreign exchange difference	**(603)**	300
Cash and cash equivalents at the end of the year	**42,896**	74,772
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	**42,896**	74,772

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 incorporated in England & Wales with a registered number of 09213233 and its registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

2. Accounting policies

Basis of preparation of financial statements
The financial statements have been prepared 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).

Certain customer rebates, previously included within operating expenses of the Group, have been reclassified to turnover in the year ending 31 March 2017 to reflect more accurately the Group's revenue recognition policy. The comparative year has been restated accordingly.

During the year the Group disposed of its Data Solutions business, the result of which has been shown as discontinued in the Consolidated profit and loss account. The comparative year has been restated accordingly.

The following principal accounting policies have been applied consistently:

Basis of consolidation
The consolidated financial statements present the results of the Group 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.

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 contract income of a non recurring nature.

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 assets are initially recognised at cost. After recognition, under the cost model, intangible assets 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.

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.

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 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.

2. Accounting policies continued

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.

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.

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.

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.

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.

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.

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.

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 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.

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. Accounting policies continued

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 transactions.

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.

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.

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.

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 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.

Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

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. Accounting policies continued

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.

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 the 'Impairment of fixed assets and goodwill' on page 43.

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.

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

An analysis of the Group's turnover, by type, is set out below:

	31 March 2017 £'000	Restated 31 March 2016 £'000
Contractual income	**205,965**	240,130
Non-contractual income	**89,210**	112,013
	295,175	352,143

All turnover arose within Europe.

5. Operating costs

Year ended 31 March 2017	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
Own work capitalised	**(6,498)**	**–**	**(6,498)**
Raw materials and consumables	**36,941**	**1,301**	**38,242**
Staff costs	**101,432**	**7,873**	**109,305**
Depreciation	**20,739**	**844**	**21,583**
Amortisation	**33,564**	**1,335**	**34,899**
Other external charges	**86,366**	**8,784**	**95,150**
Profit on disposal of operations	**–**	**(21,123)**	**(21,123)**
	272,544	**(986)**	**271,558**

Year ended 31 March 2016	Restated Continuing £'000	Restated Discontinued £'000	Restated Total £'000
Own work capitalised	(8,050)	(799)	(8,849)
Raw materials and consumables	36,650	7,967	44,617
Staff costs	106,195	27,641	133,836
Depreciation	18,967	5,371	24,338
Amortisation	33,113	7,655	40,768
Other external charges	84,476	28,715	113,191
Profit on disposal of operations	–	(7,722)	(7,722)
	271,351	68,828	340,179

6. Operating profit / (loss)

The operating profit / (loss) is stated after charging / (crediting):

	31 March 2017 £'000	31 March 2016 £'000
Depreciation of tangible fixed assets	**21,583**	24,338
Amortisation of intangible assets, including goodwill	**34,899**	40,768
Exchange differences	**(314)**	200
Operating lease rentals	**18,944**	22,781
Impairment of trade debtors	**89**	781

7. Auditors' remuneration

	31 March 2017 £'000	31 March 2016 £'000
Fees payable to the Group's auditors and its associates for the audit of the Company's financial statements	**7**	7
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	**102**	100
Tax advisory services	**261**	192
Tax compliance services	**40**	60
All other services	**290**	373
	700	732

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	31 March 2017 £'000	31 March 2016 £'000
Wages and salaries	**96,861**	118,353
Social security costs	**10,276**	12,027
Other pension costs	**2,168**	3,456
	109,305	133,836

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

	31 March 2017 No.	31 March 2016 No.
Administration	**864**	986
Sales	**422**	635
Service	**2,558**	3,208
	3,844	4,829

9. Directors' remuneration

	31 March 2017 £'000	31 March 2016 £'000
Directors' emoluments	**2,245**	1,588
Company contributions to defined contribution pension schemes	**46**	40
	2,291	1,628

During the year retirement benefits were accruing to two Directors (2016: one) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,216,000 (2016: £1,077,000).

No contributions were paid by the Company to defined contribution pension schemes in respect of the highest paid Director during the year (2016: £nil).

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

10. Interest receivable and similar income

	31 March 2017 £'000	31 March 2016 £'000
Other interest receivable	**467**	224

11. Interest payable and similar expenses

	31 March 2017 £'000	31 March 2016 £'000
Bank interest payable	**19,875**	21,719
Loan note interest payable	**41,417**	39,493
Finance leases and hire purchase contracts	**6**	21
Other interest payable	**729**	193
	62,027	61,426

12. Tax on (loss) / profit

	31 March 2017 £'000	31 March 2016 £'000
Corporation tax		
Current tax on loss for the year	**718**	593
Adjustment in respect of previous periods	**(561)**	–
Foreign tax		
Foreign tax on income for the year	**50**	69
Total current tax	**207**	662
Deferred tax		
Origination and reversal of timing differences	**(858)**	(7,091)
Adjustment in respect of previous periods	**(4,410)**	77
Impact of change in tax rate	**(659)**	–
Total deferred tax	**(5,927)**	(7,014)
Taxation on loss on ordinary activities	**(5,720)**	(6,352)

12. Tax on (loss) / profit continued

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	31 March 2017 £'000	31 March 2016 £'000
Loss before taxation	**(37,943)**	(49,238)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	**(7,588)**	(9,848)
Effects of:		
Expenses not deductible for tax purposes	**5,934**	4,101
Lower taxes on overseas earnings	**(15)**	(447)
Adjustments to tax charge in respect of prior periods	**(4,971)**	77
Non-taxable income	**(22)**	(465)
Unrecognised deferred taxation	**1,601**	230
Re-measurement of deferred tax – change in UK rate	**(659)**	–
Total tax credit for the year	**(5,720)**	(6,352)

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.

13. Exceptional items

	31 March 2017 £'000	31 March 2016 £'000
Exceptional items	**10,985**	8,310

Exceptional items include costs and impairment of assets associated with both the restructuring of certain businesses and the decision to step away from a large crate washing contract, start-up costs associated with developing new business processes, and legal and professional fees associated with the refinancing of the Group.

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 £404,000 (2016: loss £435,000).

15. Intangible assets

Group	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2016 (restated)	140,984	144,094	303,898	588,976
Disposals	(6,294)	(14,610)	(36,785)	(57,689)
At 31 March 2017	**134,690**	**129,484**	**267,113**	**531,287**
Amortisation				
At 1 April 2016 (restated)	21,220	10,807	22,456	54,483
Charge for year	13,770	6,779	14,350	34,899
On disposals	(1,218)	(1,400)	(3,525)	(6,143)
At 31 March 2017	**33,772**	**16,186**	**33,281**	**83,239**
Net book value				
At 31 March 2017	**100,918**	**113,298**	**233,832**	**448,048**
At 31 March 2016	119,764	133,287	281,442	534,493

The cost and amortisation at 1 April 2016 has been restated; the net book values remain unchanged.

16. Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Equipment at customers' premises £'000	Other equipment & vehicles £'000	Tooling £'000	Total £'000
Cost						
At 1 April 2016	348	6,936	86,375	71,811	1,872	167,342
Additions	–	1,105	12,703	7,190	210	21,208
Disposals	–	(156)	(10,787)	(2,773)	(1,949)	(15,665)
Disposal of operations	–	(4,947)	(3,738)	(14,293)	–	(22,978)
Exchange adjustments	–	–	771	370	–	1,141
At 31 March 2017	**348**	**2,938**	**85,324**	**62,305**	**133**	**151,048**
Depreciation						
At 1 April 2016	76	2,493	50,212	46,201	1,508	100,490
Charge for year	6	358	15,380	5,674	165	21,583
Disposals	–	(82)	(10,249)	(1,692)	(1,673)	(13,696)
Disposal of operations	–	(1,358)	(1,881)	(6,866)	–	(10,105)
Exchange adjustments	–	–	585	299	–	884
At 31 March 2017	**82**	**1,411**	**54,047**	**43,616**	**–**	**99,156**
Net book value						
At 31 March 2017	**266**	**1,527**	**31,277**	**18,689**	**133**	**51,892**
At 31 March 2016	272	4,443	36,163	25,610	364	66,852

16. Tangible assets continued

The net book value of assets held under finance leases or hire purchase contracts included above are as follows:

	2017 £'000	2016 £'000
Other equipment and vehicles	–	215

17. Investments

Company	Investments in subsidiary companies £'000
Cost and net book value at 1 April 2016 and 31 March 2017	21,500

18. Stocks

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Raw materials and consumables	621	1,094	–	–
Finished goods and goods for resale	6,519	6,136	–	–
	7,140	7,230	–	–

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

19. Debtors

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade debtors	51,760	61,440	–	–
Amounts owed by group undertakings	–	–	250	142
Other debtors	9,394	5,356	–	–
Prepayments and accrued income	9,929	14,272	–	–
	71,083	81,068	250	142

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.

Other debtors includes £7,979,000 in respect of deposits required for bank guarantees and has been refunded in full since the year end.

20. Cash at bank and in hand

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash at bank and in hand	42,896	74,772	1	–

21. Creditors: Amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade creditors	**18,887**	18,695	**–**	–
Amounts owed to group undertakings	**–**	–	**1,155**	696
Corporation tax	**1,600**	1,059	**–**	–
Other taxation and social security	**6,991**	7,064	**–**	–
Obligations under finance lease and hire purchase contracts	**–**	58	**–**	–
Other creditors	**13,695**	21,342	**1**	–
Accruals and deferred income	**79,391**	81,796	**53**	–
	120,564	130,014	**1,209**	696

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.

22. Creditors: Amounts falling due after more than one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank loans and overdrafts	**267,043**	278,537	**–**	–
Other loans	**270,556**	345,905	**–**	–
Obligations under finance lease and hire purchase contracts	**–**	173	**–**	–
	537,599	624,615	**–**	–

23. Hire purchase and finance leases

	2017 £'000	2016 £'000
Within one year	**–**	71
Later than one year, not later than five years	**–**	187
Minimum lease payments	**–**	258
Less: finance charges	**–**	(27)
Carrying value of hire purchase and finance lease arrangements	**–**	231

Each hire purchase agreement is secured on the assets under lease and bears interest at an implicit fixed rate that ranges between 5% and 10% per annum.

24. Loans

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts falling due in one to five years				
Bank loans	**267,043**	278,537	**–**	–
Amounts falling due after five years				
Other loans	**270,556**	345,905	**–**	–
	537,599	624,442	**–**	–

Bank loans
Bank loans consist of a Senior Facility loan from financial institutions. At the balance sheet date, £115,472,000 (2016: £153,887,000) of the Senior Facility loan was in respect of borrowings from financial institutions that were shareholders of the Company.

During the year the Group repaid £55,007,000 of its Senior Facility loan. On 20 December 2016, the Group's Senior Facility commitments were amended and the repayment date was extended to 20 December 2021. An additional £28,531,000 was repaid and new loans totalling £71,430,000 were taken out as part of this refinancing.

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 did not have a revolving credit facility (2016: £20,000,000) but has since put in place a new revolving credit facility for £10,000,000 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 2017, consisting of £nil (2016: £10,839,000) 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.

As part of the Group's refinancing during the year, £122,859,000 of the principal on these loan notes was repaid.

25. Financial instruments

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Financial assets				
Financial assets measured at fair value through profit or loss	**42,896**	74,772	**1**	–
Financial assets that are debt instruments measured at amortised cost	**61,154**	66,796	**250**	142
Financial liabilities				
Financial liabilities measured at amortised cost	**(649,572)**	(746,275)	**(1,155)**	(696)

Financial assets measured at amortised cost comprise trade debtors and other debtors. Financial assets measured at fair value consist of cash.

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

26. Deferred taxation

Group	Deferred tax £'000
At 1 April 2016	**(41,385)**
Credited to the profit or loss	**5,927**
On disposal of business operations	**3,292**
At 31 March 2017	**(32,166)**

The provision for deferred taxation is made up as follows:

Group	2017 £'000	2016 £'000
Accelerated capital allowances	**5,258**	7,302
Short-term timing differences	**189**	(3,191)
Tax losses carried forward	**–**	247
Intangible assets arising on acquisition	**(37,613)**	(45,743)
	(32,166)	(41,385)

27. Other provisions

Group	Property £'000
At 1 April 2016	**13,346**
Credited to the profit or loss	**(2,283)**
On disposal of business operations	**(1,008)**
Utilised in year	**(988)**
At 31 March 2017	**9,067**

Property provisions include onerous lease provisions in respect of unutilised space and 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.

28. Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
305,000,046 (2016: 305,000,046) Ordinary shares of £0.001 each	**305**	305
6,100,003 (2016: 6,100,003) Class 'A' shares of £0.001 each	**6**	6
100 (2016: 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.

29. 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.

30. Discontinued operations

During the Year the Group disposed of its Data Solutions business for consideration of £83,025,000.

31. Pension commitments

The Group operates a defined contributions pension scheme. 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 £236,000 (2016: £262,000) 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 2014 indicated that the technical provisions exceeded the assets by £609,000. It was assumed that the pre-retirement investment return would be 4.6% per annum, the post-retirement rate would be 3.3% per annum and the price inflation would be 3.0% per annum.

The latest audited financial statements of the scheme are made up to 30 April 2016 at which date the scheme, which is contracted out of the state scheme, had net assets of £11,514,000 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.

No employer contributions were made to the money purchase section of the plan during the year (2016: £nil).

Composition of plan assets:

	2017 £'000	2016 £'000
Equities	**3,993**	3,465
Gilts	**3,726**	3,235
Corporate bonds	**4,368**	3,758
Cash / trustee bank account	**12**	11
Total plan assets	**12,099**	10,469

	2017 £'000	2016 £'000
Fair value of plan assets	**12,099**	10,469
Present value of plan liabilities	**(9,664)**	(8,859)
Surplus not recognised	**(2,435)**	(1,610)
Net pension scheme liability	**–**	–

31. Pension commitments continued

Reconciliation of fair value of plan liabilities were as follows:

	2017 £'000	2016 £'000
Opening defined benefit obligation	**8,859**	9,650
Interest cost	**283**	287
Actuarial losses / (gains)	**1,098**	(323)
Benefits paid	**(576)**	(755)
Closing defined benefit obligation	**9,664**	8,859

Reconciliation of fair value of plan assets were as follows:

	2017 £'000	2016 £'000
Opening fair value of scheme assets	**10,469**	11,158
Interest income	**336**	337
Actuarial gains / (losses)	**1,868**	(471)
Contributions by employer	**2**	200
Benefits paid	**(576)**	(755)
Total plan assets	**12,099**	10,469

The Group expects to contribute £58,000 to its Defined Benefit Pension Scheme in the year ending 31 March 2018 in order to reduce the deficit arising from the triennial valuation of the scheme.

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

	2017 %	2016 %
Discount rate	**2.5**	3.3
Future salary increases	**3.4**	2.9
Future pension increases	**2.4**	1.9
Inflation assumption	**2.4**	1.9
Mortality rates		
– for a male member aged 65 now	**22.2**	22.1
– at 65 for a male member aged 45 now	**23.8**	23.7
– for a female member aged 65 now	**24.0**	23.9
– at 65 for a female member aged 45 now	**25.5**	25.4

32. Commitments under operating leases

At 31 March the Group and the Company had future minimum lease payments under non cancellable operating leases payable as follows:

	Group 2017 £'000	Group 2016 £'000
Not later than one year	**13,036**	17,697
Later than one year and not later than five years	**27,212**	44,639
Later than five years	**21,629**	45,181
Total	**61,877**	107,517

33. 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. During the year, interest of £41,417,000 (2016: £39,493,000) accrued on these loan notes and £122,859,000 (2016: £nil) of the principal was repaid as part of the Group's refinancing.

In April 2016, the two largest shareholders, Anchorage and M&G, made a tender offer to other shareholders to purchase the remaining ordinary share capital of the Company and the PIK debt stapled thereto; the transaction completed later in the year.

Management fees of £495,000 (2016: £566,000) were charged during the year by the non executive Directors for the provision of services.

34. Ultimate parent and controlling party

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

35. 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 companies 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
Capital Capture North Limited	Dormant
Clearwater Technology Limited	Dormant
Connect Water Systems Central Limited	Dormant
Connect Water Systems North East Limited	Dormant
Corporate & Commercial Carpet Care Limited	Dormant
Filestore Limited	Dormant
Floor Pro Limited	Dormant
H&A Waste Services Limited	Dormant
H.C.E. (Northern) Limited	Dormant
H20 (Water Coolers) Limited	Dormant
Jpen Medical Limited	Dormant
PHS Records Management Limited	Dormant
Power + Limited	Dormant
Safe Records Management Limited	Dormant
Scott-Law Archival and File Management Limited	Dormant
Securishred Limited	Dormant
Security Shredding Solutions Limited	Dormant
Shift it Waste Management Limited	Dormant
Accelerated Debt Recovery Limited	Dormant
Air-O-Matic Systems (UK) Limited	Dormant
Albany Facilities Limited	Dormant
Alphasan Limited	Dormant
Aqua Free Limited	Dormant
Aqualicious Limited	Dormant
Associated Laundry Systems (Oxford) Limited	Dormant
Besafe Protective Clothing Limited	Dormant
Bettershred Limited	Dormant

Name	Principal activity
BLR Trust Limited	Dormant
Blue Spring Limited	Dormant
Capital Capture Limited	Dormant
Capital Hygiene Services Limited	Dormant
Celtic Hygiene Services Limited	Dormant
CG Waste Services Limited	Dormant
Churchill Filestore Limited	Dormant
Clayeden Limited	Dormant
Clean Step Limited	Dormant
Cleanwalk Limited	Dormant
Clearfast Waste Disposal Limited	Dormant
Confidential Data Shredding Limited	Dormant
Confidential Destruction Services Limited	Dormant
Confi-Shred Limited	Dormant
Connect Water Systems (UK) Limited	Dormant
Data Shred Recycling Limited	Dormant
Direct Hygiene Limited	Dormant
Direct Water South West Limited	Dormant
Direct Watercoolers (UK) Limited	Dormant
Document Storage Solutions Limited	Dormant
Elite Environmental Limited	Dormant
Environmental Waste Solutions UK (Holdings) Limited	Dormant
Environmental Waste Solutions UK Limited	Dormant
Filterpure Limited	Dormant
Floor Protection Services Limited	Dormant
Fyr Fyter (UK) Limited	Dormant
GFI Commercial Waste Services Limited	Dormant
Godiva Imaging Limited	Dormant
Greencare Environmental Limited	Dormant
Greenscene Limited	Dormant
Greenway Holdings (Wales) Limited	Dormant
Greenway Recycling Limited	Dormant
Griffin Environmental Services Limited	Dormant
Hepscott Water Systems Limited	Dormant
Hygieco Limited	Dormant
Hy-Viz Garment Services Limited	Dormant
Indigo Washroom Solutions Limited	Dormant
Invicta Waste Management Limited	Dormant
Kes Group Limited	Dormant
Key Hygiene Limited	Dormant
Kingsbridge Hygiene Limited	Dormant

35. Subsidiary undertakings continued

Name	Principal activity
Matta Products (UK) Limited	Dormant
Maxitech Limited	Dormant
Maxitech.Biz Limited	Dormant
MC415 Limited	Dormant
MC494 Limited	Dormant
On Time Secure Destruction & Recycling Limited	Dormant
Orwak Environmental Services Limited	Dormant
Phoenix Shredding Limited	Dormant
PHS All Clear Limited	Dormant
PHS Greenleaf Limited	Dormant
PHS Treadsmart Limited	Dormant
PHS Wastetech Limited	Dormant
PHS Waterlogic Limited	Dormant
Premier Watercoolers Limited	Dormant
Primecare Hygiene Services Limited	Dormant
Pure Point Coolers Limited	Dormant
Quality Waste Services Limited	Dormant
Quickcrates Limited	Dormant
Reformation Holdings Limited	Dormant
Rentacrate (UK) Limited	Dormant
Rentacrate Limited	Dormant
S&K Confidential Destruction Limited	Dormant
Shred Easy Limited	Dormant
Shredaway Limited	Dormant
Shredsecure Limited	Dormant
Southern Hygiene Services (UK) Limited	Dormant
Specialised Waste Services Limited	Dormant
Tenberry Limited	Dormant
The Green Litter Machine Limited	Dormant
The Shred-Safe Limited	Dormant
Thirstpoint Limited	Dormant
Trade Hygiene Limited	Dormant
Urban Planters Limited	Dormant
Warner Howard (Holdings) Limited	Dormant
Warner Howard (UK) Limited	Dormant
Warner Howard Group Limited	Dormant
Warner Howard Services Limited	Dormant
Watering Well Watercoolers Limited	Dormant

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 Western Limited	Intermediate holding company
Teacrate Limited	Intermediate holding company
Teacrate Rentals Limited	Provision of workplace services
Warner Howard Limited	Dormant

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 Washrooms, Part Block 5, Antrim Business Park, Randalstown Road, Antrim, BT41 4LD.

Name	Principal activity
Personnel Hygiene Services (N.I) Limited	Dormant
Kingsland Healthcare Limited	Dormant

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 Washrooms, Westrigg, Blackridge, West Lothian, EH48 3AU.

Name	Principal activity
Connect Water Systems (Scotland) Limited	Dormant
Daisy Hygiene Supplies Limited	Dormant
Datasafe (Records Storage and Management) Limited	Dormant
ER3 Solutions Limited	Dormant
Oak Hygiene Services Limited	Dormant
Reisswolf Scotland Limited	Dormant
Riverside Hygiene Services Limited	Dormant

35. Subsidiary undertakings continued

The Company owns indirectly 100% of the ordinary share capital of the companies 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 companies 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

J Tydeman	Chief Executive Officer
C J Thomas	Chief Financial Officer (appointed 15 July 2016)
S A Woods	Executive Director, Specialist
C R M Kemball	Non-Executive Chairman
A Nagwaney	Non-Executive Director (appointed 22 June 2017)
C G Oldroyd	Non-Executive Director
M R J Pacitti	Non-Executive Director
C P Sander	Non-Executive Director
P J Williamson	Non-Executive Director

Secretary and registered office
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PHS Group
Western Industrial Estate
CAERPHILLY
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