phs Group

LEADING THE WAY

PHS Group Investments Limited
Annual report for the year ended 31 March 2018

PHS Group is the leading hygiene services provider in the UK, Ireland and Spain. With over 90,000 customers in over 300,000 locations, supporting everything from restaurants to offices, and from hospitals to schools, we meet the needs of more than 100 million people.

Strategic report

Corporate governance

Financial statements

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

Focus on **operational performance**

Financial

Turnover

-2.5%

2018	**£262.1m**
2017	£268.8m

EBITDA

-0.5%

2018	**£62.4m**
2017	£62.8m

EBITA

0%

2018	**£44.3m**
2017	£44.3m

EBITDA less capital expenditure

+6.4%

2018	**£44.2m**
2017	£41.5m

Operational

Innovation

Launched **FLOW**SAVER **TAP** as an extension to the **FLOW**SAVER family. This product can save up to 70% of water used during hand washing.

Sustainability

During the year, our patented LifeCycle process diverted over 12,000 tonnes of our customers' hygiene waste away from landfill.

Supply chain

Since November 2017, PHS mats* have been made with ECONYL® yarn, a 100% regenerated nylon made from waste including recovered fishing nets disposed of in the sea, helping to protect our oceans.

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.

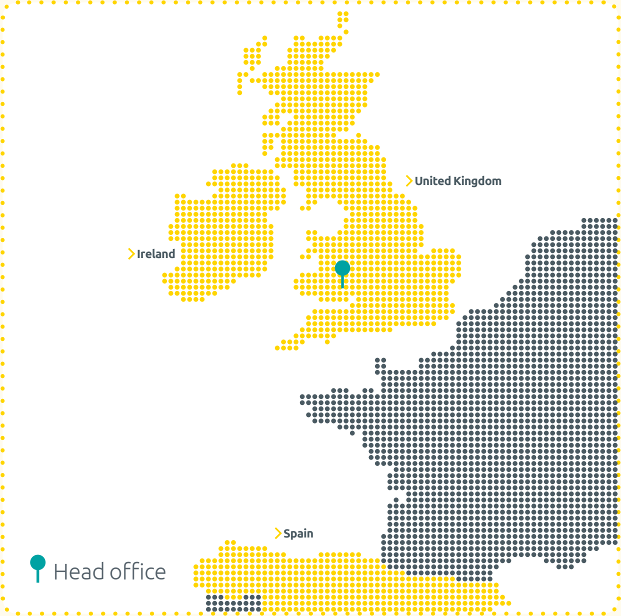
*Not including logo/image mats

Leading the way

PHS provides washroom, healthcare and floorcare hygiene services plus a range of specialist services, to over 300,000 customer locations. Our products and services play a vital role in making our customers' premises safer and healthier places, meeting the changing needs of society.

Next door. Everywhere.

As the number one market leader, we offer an unmatched combination of national and local coverage, allowing us to be **Next Door. Everywhere.**



Washroom hygiene

We supply a wide range of sectors from restaurants to schools and retail to healthcare, with a wide range of products, from soap dispensers to sanitary bins and toilet rolls to hand dryers – all of which deliver a healthy and hygienic environment for our customers. We also support our customers with products focused on well-being, environmental impact and water savings.

We have:

- An exclusive product range and patented technology
- The largest service network providing our customers with unmatched service.

Key benefits:

- Maximise hygienic environment
- Prevent cross infection
- Save energy and water
- Reduced costs
- Comply with waste regulations
- Enhance our customers' and their customers' experience.

Healthcare hygiene

We dispose of all types of healthcare waste from sharps to amalgam waste and hygiene to pharmaceutical waste for customers from doctors' surgeries to vets and hospitals to care homes.

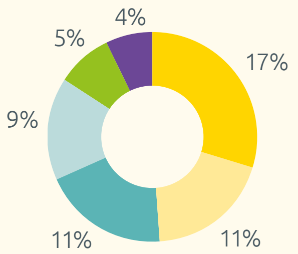
- Our people are trained and equipped to provide a service that is safe and risk-free for our employees, customers, partners and the wider public
- We dispose of our customers' waste in an environmentally sustainable way through LifeCycle, our patented process.

Key benefits:

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

Our customers

As a service business, we are strongly customer-centric. Our priority is to provide a first-class customer experience by cultivating relationships and delivering above expectations.



- Education
- Health
- Manufacturing
- Hotels, Restaurants and Catering
- Retail
- FM

90,000 customers

Our network serves over 90,000 customers in over 300,000 locations.

100 million people

Covering a market of more than 100 million people, we are Next door. Everywhere.

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

50 years

Over 50 years of innovation and investment, transforming the future

Floorcare hygiene

We supply hygienic and comfortable floorcare, trapping dirt, preventing slip hazards and minimising health and safety risks, providing floorcare solutions that are integral to keeping floors sustainably clean in any workplace.

- This year we completed 2.4 million floorcare services across the UK
- Our unique mat products carry the Royal Warrant
- We have a national distribution and laundry network.

Key benefits:

- Promote hygienic environment
- Protect from trip risk through rain, spills and other moisture
- Reduce manual floor cleaning cycles
- Personalisation of designs
- Quality – Our Royal Warrant is proof
- Our new mats are made with ECONYL® yarn.

Specialist

PHS also provides a range of specialist services for the workplace.

- Besafe – Supply and laundry of technical workwear
- Compliance – Provision of end-to-end technical build asset management, testing and installation, including statutory Planned Preventative Maintenance
- Greenleaf – Royal Warrant holders who supply and service live and replica interior and exterior plants
- Teacrate – Sale, rental and washing of crates, pallets and packing materials
- Wastekit – Supply and service of compactors and balers to assist in waste management.

Key benefits:

- Cost effective outsourced solutions
- Compliance and testing meet requirements
- Reduced costs
- Improved waste management
- Provision of cost effective rental services which provide customers with an alternative to owning and managing assets which are non-core.

Leading the way in air purification and environmental well-being

We supply washroom services to a wide range of sectors; from restaurants to schools and retail premises to the healthcare sector. Through our exclusive product range we are focused on supporting our customers' well-being, lessening their impact on the environment and helping them to save costs.

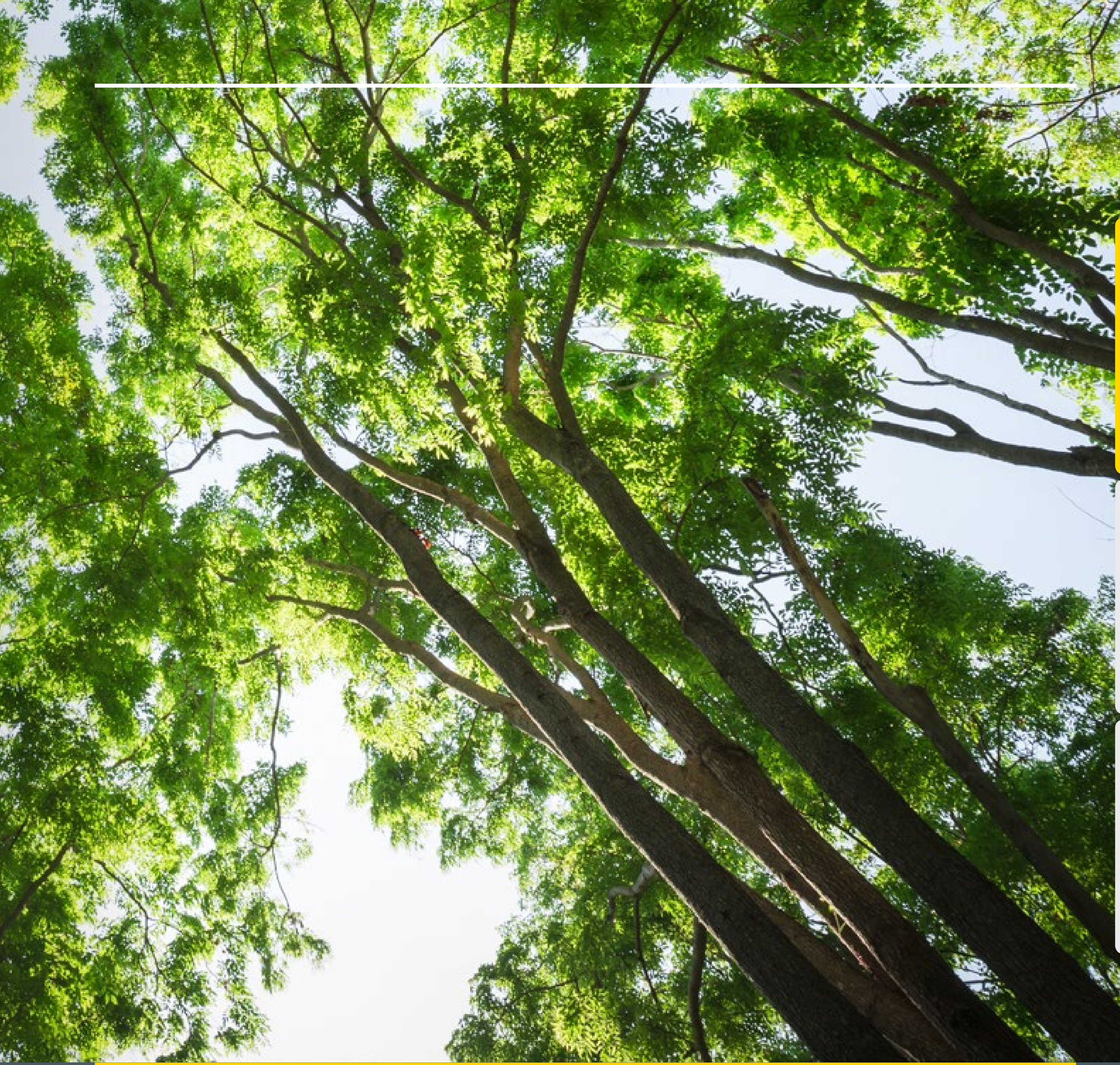
PHS **AERA**MAX **PROFESSIONAL** IV

Creating healthier environments

At PHS we understand the importance of maintaining clean, fresh-smelling air that creates a welcoming, healthy environment. Every day we breathe 10,000 litres of air and when exercising we can breathe up to five times more. We spend 90% of our time indoors and nine hours every day sharing spaces with others, which can unfortunately create the perfect environment for germs and allergens to spread quickly.

Our exclusive air purification range, **AERA**MAX **PROFESSIONAL**, enhances the quality of an entire facility by eliminating odours and removing harmful germs, allergens and other irritants from the air to protect employees and visitors.

Our purifiers are also the first commercial air purifiers certified asthma and allergy friendly by the Asthma and Allergy Foundation of America (AAFA).



Saving our seas and protecting our environment

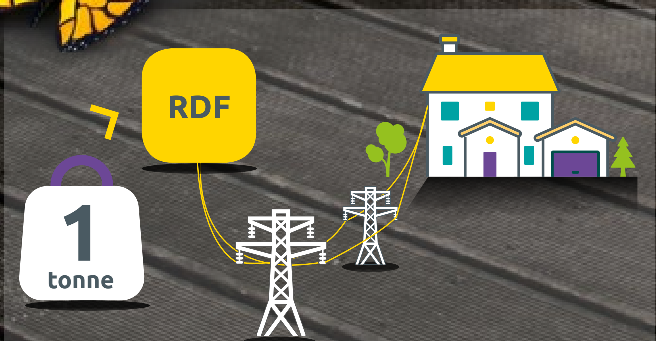
Since November 2017 our new mats[1] have been made with ECONYL® yarn. ECONYL® regenerated nylon is made by recovering nylon waste – such as fishing nets from the oceans and aquacultures, fabric scraps from mills and carpets destined for landfills. So, our mats are not only helping keep our customers' floors clean, they are helping to clean up the oceans too.

46%

Discarded fishing nets are responsible for around 46% of waste in the ocean[2]

1 Not including logo/image mats.
2 Source: National Geographic

Leading the way in waste, water and environmental partnerships



1 tonne of refuse derived fuel ('RDF') can power an average UK family home for one year

Creating a brighter future

PHS continued to demonstrate its market leading position in the waste industry with the opening last year of LifeCycle, a world leading waste recycling plant. Based in West Bromwich and using PHS's patented technology, the plant turns hygiene waste into a fuel source which is used to power schools, factories and homes.

Many of PHS's customers are concerned about minimising their impact on the environment. LifeCycle provides the solution.

Converting hygiene waste products into a fuel for power production, instead of sending it to landfill, helps our hygiene waste customers achieve their environmental targets.

During the year, we diverted over 12,000 tonnes of our customers' hygiene waste away from landfill, creating enough energy to power a shower for more than 150 years.

It is our aim to divert our customers' hygiene waste away from landfill.

Sustainable partnerships

PHS have agreed a new partnership with The National Forest. PHS's commitment to the environment is exemplified by the aim to divert hygiene waste from landfill and create RDF, while The National Forest has created new forestry adjacent to a redundant landfill site. Regenerating the local environment and diverting from landfill are complementary ambitions and are celebrated in this partnership.

With the support of PHS, 20,000 trees have already been planted at Cadborough Hill Wood and we aim to continue our ongoing support to ensure that the forest continues to grow.

Helping our customers save water and save costs

PHS has been developing innovative and patented products for decades that can boost staff and customer well-being, in a way that is cost-effective in our customers' workplaces. From flush and water management controls and urinal sleeves to cistern sanitisers, our products help prevent blockages, eliminate odours and help our customers reduce running costs.

This year, PHS launched the **FLOW**SAVER **TAP** as an extension to the **FLOW**SAVER family. This innovative product can save up to 70% of the water used during hand washing and water wastage.

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

Average hand wash consumes **2 litres** adding up to **400 million** litres per day in the UK alone

Everyday in the UK, there's over **200 million** hand washes outside the home in businesses

Helping our customers achieve their sustainability targets

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.

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.

Top 3 facts

200,000 tonnes

Tampons, pads and panty liners generate more than 200,000 tonnes of waste per year in the UK alone[1]

3.2 million

There are around 3.2 million people in the UK over the age of 65 suffering from urinary incontinence[2]

500 years

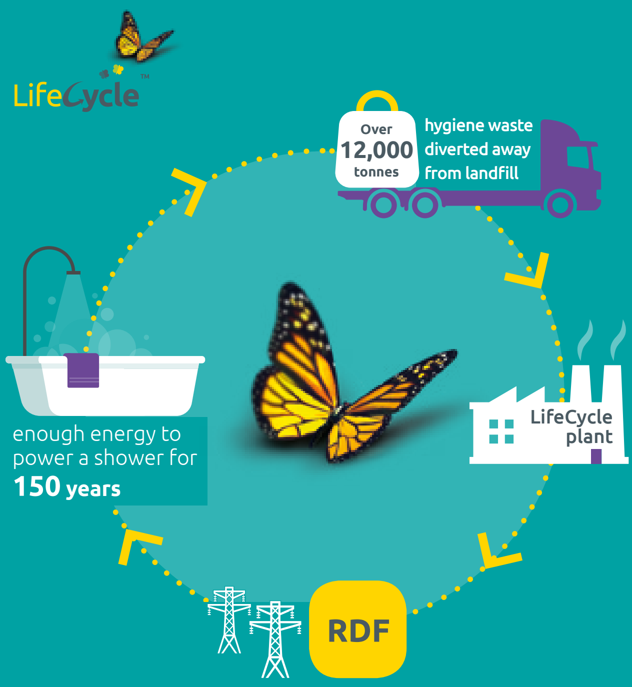
It can take 500 years for hygiene waste such as incontinence pads, nappies and sanitary waste to decompose[3]

1 Source: blogs.kent.ac.uk/sustainkent/2018/06/07/flushingtamponsdownthetoilet/
2 Source: www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/later_life_uk_factsheet.pdf
3 Source: news.bbc.co.uk/1/hi/health/1287722.stm

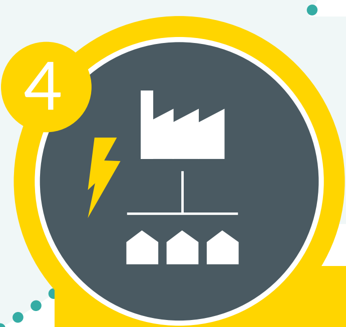
Conversion

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 2018



We aim to divert our customers' hygiene waste **away** from landfill.



Power

This energy is then used to power 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 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.

Clear focus on performance

"We believe that there are significant opportunities to further grow and enhance our service to customers and their overall experience with us. There are excellent growth opportunities in our core markets and, as market leader, we are very well placed to capitalise on them."

Introduction

During the financial year ended 31 March 2018, we continued our focus on improving the performance of all our businesses, and in particular on returning the Group to growth. While revenue in the year was 2.5% lower than the previous year on a comparable 52 week basis, this was mainly due to the decision of two larger customers, outside the core hygiene business, to leave as a result of a change in their group purchasing decisions; these contracts were low margin and did not affect the Group's profitability. Adjusting for these customers and a favourable exchange rate movement, turnover decreased by 0.8%. Within the Group, a number of our portfolio businesses grew – most notably Direct 365, our on-line digital platform, which posted over 10% growth at both revenue and operating profit. EBITA was in line with last year on a comparable 52 week basis, a strong performance against reduced revenue. Our cash conversion continues to be excellent at 80% of EBITA which has been achieved while continuing to invest in new technology during the year.

Management changes

In October, we reached mutual agreement with Justin Tydeman, our then CEO, that the business needed a new approach to take it to the next stage in its development and he stepped down in December 2017. I would like to thank Justin for the considerable improvements he has made to PHS since he became CEO in late 2014. We are a leaner, fitter, more efficient and profitable business than we were before he joined.

David Taylor-Smith was appointed CEO on 9 April. He has a wealth of experience, having been an executive main Board director at Aggreko plc and on the Group Executive of G4S plc and, more recently, CEO of VPS Group, a private equity owned property and security business operating in seven European countries. In particular, he has a consistent track record in driving and achieving growth in B2B businesses.

During the interim period before David's arrival, I acted as Executive Chairman and have now resumed my non-executive role.

We also significantly strengthened the senior executive team during the year, appointing a new Chief Commercial Officer, HR Director and a new Managing Director for our Spanish business. The Board agreed that we needed to appoint a Chief Operating Officer (COO) to focus on our service performance and a new COO joined us early in the new financial year. The Board and I are now very confident that we have a first-class management team which will help us to achieve our full potential.

Board changes

With the successful sale of our Data Solutions business in August 2016, the size of our Specialist portfolio reduced considerably and Simon Woods, its MD, decided to leave the group in June 2017 to pursue a larger opportunity. Simon joined PHS in November 2012 as CFO before becoming MD of our Specialist portfolio in May 2015. I would like to thank him for his leadership of our Specialist businesses which are now in a stronger position to contribute to the future growth of the Group.

Since the conclusion of the voluntary cash offer in the second half of 2016, we have had two shareholders, Anchorage Capital and M&G. This is an ownership structure much more akin to a standard private equity ownership, compared with the 55 shareholders with which the Board started in 2015, and it made sense to bring a representative from each shareholder on to the Board. Mike Pacitti and Christoph Sander, two of our non-executive directors, therefore stepped down from the Board in July 2017. I would like to record our thanks for their wise counsel and significant contribution to the business. At the same time, Arun Nagwaney from Anchorage Capital joined the Board with Rafael Cerezo from M&G being appointed in September 2017.

Market opportunities

During the year, we commissioned external consultants to analyse the United Kingdom and, separately, the Spanish markets. Both reports demonstrated that the addressable markets are very large in both regions, comprising potential customers who internally provide hygiene services and do not currently outsource, and existing customers who take only a very small proportion of the products that we provide. These reports confirmed our view that there are large opportunities for us to grow our business organically as well as through acquisitions. We are actively pursuing both and are excited by the size of the opportunity.

Sales and service improvement

We have made further investment in our sales capability during the year, significantly improving the recruitment, training and management of our field sales force and our inbound and outbound sales teams. We are also building on the success of our key and major account teams by further recruitment of sector focused relationship managers to meet the specialist needs of our customers. We continue to invest in technology to support our sales teams on the ground.

In operations, we launched a major programme in 2017 to improve our service delivery. This programme aims to improve the quality and efficiency of the way in which we service our customers by scheduling our resources more effectively. We expect to deliver these benefits in 2018.

Safety

The safety of our customers, employees and the wider public continues to be a major priority for us. We are continuing to focus on safety as an integral part of the way we do business and I am pleased to report that our RIDDOR incidence once again fell further by 55%. This was a considerable achievement given the harsh weather conditions experienced by our drivers and operators in February and March this year.

Outlook

We have continued to improve the business during the past year and believe that there are still significant further opportunities to grow and enhance our service to customers and their overall experience with us. There are excellent growth opportunities in our core markets of the United Kingdom, Ireland and Spain and, as market leader, we are very well placed to capitalise on them.

As always, I would like to thank our staff for their continued commitment to delivering outstanding customer service at a time of significant change to the business.

Christopher Kemball
Chairman
17 July 2018

Board focus

Our initial three-year strategy for improving the business concluded in March 2018 and, to coincide with the arrival of the new Chief Executive, we will be launching a new medium-term strategic plan in 2018. The Board provides strong oversight and drive to support the management team with its ambitious plans to improve the performance, growth, and sustainability of our business.

Achievements in 2017

- Strengthened the senior executive team with the appointment of a new Chief Executive, Chief Commercial Officer, HR Director and Managing Director for our Spanish business
- Maintained a strong margin and operating cash flows
- Invested further in additional IT and analytical systems to improve customer experience
- Launched a major service delivery improvement programme.

Priorities for 2018 and beyond

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

A great platform for growth

“We have a real opportunity to maintain and grow our market-leading positions.”

PHS is a great business. We have market leadership in our core markets and we have great products and services. We produce financial returns. We have great people and a strong culture. In short, this provides a good platform for growth.

During my first few months at PHS, the Executive team and I have pulled together a new three-year growth plan. We have had a good look at our markets and at our products and services. We have assessed our service performance and we have spoken to customers. This knowledge has been used to create our new plan which we will be communicating and implementing in the coming months.

Our new plan will focus on growth and strengthening our position as the leading provider of hygiene services in the UK, Ireland and Spain. Each of the core elements of our plan will be underpinned by detailed activity to ensure we fulfil our growth ambitions.

The core elements of the plan are:

- increasing sales growth – we are investing in additional sales resource, digital activity and new products and services
- retaining and growing our customer base – through excellent service, optimal pricing, running an efficient organisation and offering additional products and services to our customers
- listening and responding to our customers more proactively – we will help our customers to run their own organisations more effectively by delivering best in-class service, innovative products and an improved customer experience
- our business growth will be underpinned by an efficient, high performance and effective organisation which has great systems and produces useful data for our customers to use that will benefit their business.

It is an exciting time for the group and there is a real opportunity for the business to grow and deliver better services to our customers.

David Taylor-Smith
Chief Executive Officer
17 July 2018

Investment in LifeCycle

Read more on pages 8 and 9

phs LifeCycle™

Hygiene

£199.5m

Turnover (-2.5%)

£57.9m

Operating profit before central costs (-8.7%)

The Hygiene division comprises the following businesses:

Washroom hygiene
- supply and service of washroom equipment in the UK, Ireland and Spain (Serkonten);
- supply and service of essential washroom products;
- janitorial consumables sales.

Healthcare hygiene
- collection and disposal of clinical, pharmaceutical and dental waste.

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

1,976

Employees

Overview

Turnover for the Hygiene division decreased by 2.5% to £199.5m (2017: £204.7m). Operating profit before central costs and exceptional items decreased by 8.7% to £57.9m (2017: £63.4m); largely a consequence of the reduction in turnover. Hygiene division profit represents over 89% of the Group's operating profit before central costs and exceptional items.

The market

Our business is rooted in the eternal fact that human beings produce waste that needs to be handled discreetly and hygienically. PHS covers three categories arising from this need:

Washroom hygiene – PHS is a market leader in sanitary waste disposal and handling. We also provide air freshening, air and hand cleansing and hand drying services, as well as a wide range of ancillary washroom 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, care homes, and doctors surgeries. We safely dispose of bulk sanitary waste, pharmaceuticals, sharps, dental amalgams and other similar categories of waste. We operate our unique LifeCycle plant which processes customer waste and converts this into fuel for power generation.

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 our own network of laundries.

This service offering combines an essential foundation to keeping the world fresh for millions of people across the Group's chosen markets in the UK, Ireland and Spain, supporting its customers from restaurants to offices, and from hospitals to schools. It is a market which exhibits strong underlying growth drivers including:

- Rising societal expectations on hygiene
- Ageing population
- Medical developments
- Efficient use of increasingly expensive labour
- Increasing focus on reducing waste to landfill
- Urbanisation and associated waste management needs
- Increasing regulation

PHS market position

Our position is strong in our 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, we continue to pursue developments to further enhance our business.

We completed our last three-year strategy during 2017, and to coincide with the arrival of the new Chief Executive, we will be launching a new strategy in the next financial year which will focus on a number of key areas:

- Getting all businesses into profitable growth
- Improving customer retention and increasing the amount of services we deliver to our customers
- Improving the efficiency and quality of our services
- Improving customer satisfaction
- Developing new products and services which meet our client needs
- Improving our digital offering
- Optimising our pricing to deliver competitive and effective pricing

Analysis of our own data identified that the Group's driver resource was not being efficiently utilised and that this could be significantly improved. A number of changes were made throughout the year and over the course of the next twelve months we will see the benefits arising through improved operational service levels, reduced travelling times as well as improved routing and scheduling.

Product innovation

Product innovation continues to be an important contributor to further developing PHS as market leader. This year the Group has continued to focus on class leading product propositions that support 'well-being, environmental impact and value' for existing and new customers.

PHS **AERA**MAX **PROFESSIONAL** was launched last year as an exclusive air purification and odour reduction solution which is designed to improve indoor air quality. This exclusive proposition for PHS helps promote the benefits of 'well-being' throughout both public and work spaces and 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 with over 600 locations already benefiting from continuous improved indoor air quality.

PHS **AIR**STREAM **PURE** is a class-leading commercial hand dryer being the world's first fully serviced hand dryer approved by NSF International. PHS **AIR**STREAM **WHISPER** attained the 'Quiet Mark', an award programme that encourages companies to prioritise noise reduction in products. This is a low noise, low energy, warm air dryer that is highly cost effective to run. All PHS **AIR**STREAM series hand dryers feature an innovative click-on, click-off back plate design allowing the dryer body to be installed by a non-electrically qualified operative, which means it can quickly be exchanged, improving operational efficiencies. The PHS **FLOW**SAVER **TAP** was launched as an extension to the **FLOW**SAVER family.

PHS **AIR**STREAM **PURE** hand dryer

This innovative product saves up to 70% of the water used during hand washing and consequently minimises water wastage.

Also introduced during the year was a new environmentally friendly air freshener, the PHS **AIR**SCENT **ATOM**, which uses pure fragrance oils rather than an aerosol.

The introduction of a PHS Free Slimline Vend allows clients to offer a choice of free sanitary products to their customers with a coin free solution. This product supports the campaign to end period poverty, is endorsed by regional governments in Wales and Scotland and will be rolled out nationally, offering sanitary products to all with a discreet vended solution.

A new floorcare solution, consisting of a range of mats made with ECONYL® yarn, a 100% regenerated nylon made from waste including recovered fishing nets disposed in the sea, added to PHS's range of environmentally friendly products.

A new range of matting, including hand dryer, roller towel and sink mats, allowed the Floorcare Hygiene products to move into the 'white space' of the washroom.

New designer mats for coffee machines and water dispensers as well as workplace mats with integral health and safety messages further differentiated PHS's products from the competition.

LifeCycle

PHS continued to demonstrate its market leading position in the waste industry with the opening of LifeCycle, a world leading waste recycling plant, last year. 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's customers share its environmental concerns and, with the options to incinerate becoming unsustainable, LifeCycle creates a mutually attractive solution in a core part of the Group's product range.

During the year, the plant diverted over 12,000 tonnes of waste from landfill, converting it into refuse-derived fuel ('RDF') for use in energy from waste ('EfW') power stations, helping PHS's customers achieve their environmental targets. The improvements and investment made over the last twelve months will significantly increase the throughput in the next financial year.

Specialist

£62.6m
Turnover (-2.3%)

£7.1m
Operating profit before central costs (+9.2%)

The Specialist division comprises the following businesses which provide workplace services:

Besafe
- managed supply and laundry of technical workwear for demanding operating environments such as the utility and transport sectors.

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

Greenleaf
- supply and service of live and replica indoor and outdoor plants.

Teacrate
- rental, sale and washing of crates, pallets and packing materials.

Wastekit
- supply and service of compactors and balers to assist in waste management.

903
Employees

Overview

The PHS Specialist portfolio comprises businesses which provide a range of workplace services and each have a strong position in their individual markets.

Turnover for the Specialist businesses from continuing operations decreased by 2.3% to £62.6m (2017: £64.1m) mainly due to the ending of a sizeable contract in Teacrate. Despite the reduction in turnover, operating profit before central costs and exceptional items increased by 9.2% to £7.1m (2017: £6.5m) supported by growth in both Besafe and Compliance.

Development highlights

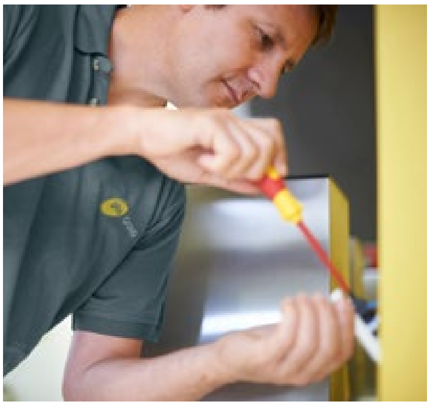
Besafe continued to deliver strong financial performance and returned its best result for five years. Service standards remain exemplary with a 99% service delivery success rate provided by its highly-committed employees. During the year, Besafe won several significant new customers which underpin the revenue growth in the current and next financial year.

Compliance has embraced new ways of working during the year, including changes in the working practices of the sales and operations teams, which has contributed to another year of strong organic growth. It also further expanded its service offering to provide a total compliance solution for its customers. Compliance launched digital customer satisfaction monitoring with the aim of providing the best possible service. The business will continue to focus on its customers, and attracting, developing and retaining engineering talent.

Greenleaf had a challenging year and generated a modest trading loss; we expect to return to profit next year.

Teacrate has been successful in winning business from its competitors whilst retaining existing customers during another challenging year for the office moving sector. Replacing the volume lost in the food crate operation has been slower than expected, but new customers are being won as Teacrate continues to capitalise on the opportunity to utilise this extra capacity. Despite the reduction in revenue, Teacrate was able to return an improved operating profit compared with the prior years.

Wastekit produced another solid performance, supported by the delivery of strong service levels to all of its customers. The transition to HSM as Wastekit's mainstream supplier of vertical balers has been successfully managed and the relationship between the two companies has developed strongly. Market demand for the entire range of products and accessories supplied by Wastekit continues to grow, reflecting the importance of recycling and effective waste handling to all businesses. Under new leadership Wastekit will continue to focus on developing all areas of the business to meet customer requirements.



Focus on profitable growth going forward

> "Our strong operating cash flows enable us to continue investing in the business."

Group turnover

£262.4m

(2017: £268.8m)

EBITDA

£62.4m

(2017: £62.8m)

Overview

The Group prepares its financial statements for the year based on a 52-week period. However, in order to account for the extra day 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 was such a year and consequently the comparative results shown in these financial statements are based on a 53-week period; the current year is a 'standard' 52-week period.

In order to present a true reflection of the Group's performance, the commentary that follows compares the results for the 52-week year ended 31 March 2018 to the unaudited pro-forma result for the 52-week year ended 31 March 2017.

During the year, Group turnover from continuing businesses decreased by 2.5% to £262.1m (2017: £268.8m), primarily due to the decision of two larger customers to leave as a result of a change in their group purchasing decisions. Adjusting for the effect of these customers and the favourable foreign exchange movements in the year, turnover decreased by 0.8% to £262.1m from £264.2m in 2017. Operating profit from continuing businesses before shared services and exceptional items reduced by 6.9% to £65.1m (2017: £69.9m). Central costs decreased by 19.1% to £20.7m (2017: £25.6m) leading to EBITA before exceptional costs of £44.3m (2017: £44.3m), the same as last year. The margin earned before exceptional costs increased slightly to 16.9% (2017: 16.5%).

Exceptional costs of £14.2m (2017: £10.8m) were incurred in the year, along with an amortisation charge of £33.3m (2017: £33.6m), resulting in an operating loss of £3.3m (2017: loss of £0.1m).

Net finance charges for the financial year were £52.3m (2017: £60.4m) of which £17.9m (2017: £19.5m) relates to finance charges on external borrowings. The lower finance charges on external borrowings reflects the reduction in the Group's net debt as a result of the repayments made during recent years. The pre-tax loss decreased to £55.6m (2017: £60.5m) as a result of the reduced finance charges.

The tax credit for the year was £4.8m (2017: £8.3m credit), resulting in a loss after interest and tax for the financial year of £50.8m (2017: £52.2m).

Re-organisation costs and one-off items

Exceptional costs totalling £14.2m were incurred during the year (2017: £10.8m). These included costs associated with the Group's performance improvement programme (£4.8m), restructuring of the senior management team (£3.5m) and the general restructuring of the Group (£1.7m), start-up costs associated with developing new business processes (£1.9m), impairment of a trade debt (£1.1m), and legal and professional fees associated with the financing of the Group (£0.7m).

Cash flow and net debt

Net cash generated from operating activities, as shown in the 'Consolidated statement of cash flows', decreased by 42.1% to £42.3m (2017: £73.0m) and, after capital expenditure of £18.2m (2017: £21.2m), the net cash inflow from operating activities decreased by 53.5% to £24.1m (2017: £51.8m). Adjusting for the benefit of disposals in the prior year, the net cash flow from operating activities after capital expenditure reduced by 46.3% to £24.1m from £44.9m in 2017 mainly due to the increase in exceptional costs, and the effect of the disposal and the extra week in the prior year.

Despite a net increase in cash of £13.6m (2017: a decrease of £31.3m), net debt increased by £17.1m to £511.8m (2017: £494.7m) at 31 March 2018 as a result of 'rolled up' interest on loan notes. Details of the borrowings facilities are provided in note 23 to the financial statements.

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

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 2018. The unaudited results in the table below shows the adjusted trading result for the year ended 31 March 2017 for 52 weeks on a pro-rata basis.

In order to present a true reflection of the Group's performance, the results discussed in the Strategic report and Directors' report compare the year ended 31 March 2018 to the unaudited pro-forma result for the 52-week year ended 31 March 2017 shown below.

Colin Thomas
Chief Financial Officer
17 July 2018

	Note	**Audited 2018 52 weeks £'000**	Unaudited 2017 Continuing operations 52 weeks 'pro-rata' £'000	Audited 2017 Continuing operations 53 weeks £'000
Turnover		**262,140**	268,799	273,190
EBITDA before exceptional items		**62,425**	62,750	63,795
Growth rate		***-0.5%***	*11.5%*	*13.3%*
Depreciation (excluding exceptional items)		**(18,099)**	(18,414)	(18,745)
EBITA before exceptional items		**44,326**	44,336	45,050
Growth rate		***0.0%***	*18.7%*	*20.6%*
Amortisation	1	**(33,337)**	(33,564)	(33,564)
Exceptional costs – other	1	**(13,467)**	(8,846)	(8,846)
Exceptional costs – depreciation	1	**(775)**	(1,994)	(1,994)
Operating (loss) / profit		**(3,253)**	(68)	646
Interest receivable and similar income		**97**	458	467
Interest payable and similar expenses		**(52,435)**	(60,856)	(62,026)
Loss before taxation		**(55,591)**	(60,466)	(60,913)
Tax on loss		**4,780**	8,300	8,460
Loss for the financial year		**(50,811)**	(52,166)	(52,453)

Note 1
No adjustment has been made to either Amortisation or Exceptional costs in 2017 as a result of the 53-week year. Consequently, the figures are as reported in the consolidated profit and loss account.

A disciplined approach to risk management and mitigation

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

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

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

The execution of our strategy is affected by a number of risks. We have a system of assessment and mitigation ensuring readiness for a range of possibilities.

Clear metrics for performance 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.

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

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

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

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

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

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

Retaining its customers is of the utmost importance to PHS and the increase in customer churn in the year is disappointing. The reason for the increase is understood and a number of actions have already been taken to ensure it reduces next year.

Financial KPIs

Change in turnover

-2.5%

2018	**-2.5%**
2017	0.6%

EBITDA from continuing operations before exceptional items

-0.5%

2018	**£62.4m**
2017	£62.8m

EBITA from continuing operations before exceptional items

0%

2018	**£44.3m**
2017	£44.3m

Net cash inflow from operating activities less capital expenditure

-53.5%

2018	**£24.1m**
2017	£51.8m

Non-financial KPIs

Customer churn

13.5%

2018	**13.5%**
2017	12.5%
2016	11.7%
2015	13.6%
2014	13.9%

An active approach to compliance and citizenship

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.

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 two dangerous goods safety advisors and all other members of the team are NEBOSH, Green Belt Six Sigma and Practitioners of the Institute of Environmental Management and Assessment ('PIEMA') certified. Two members of the team are competent persons for machinery safety to ensure compliance with the provision and use of work equipment regulations ('PUWER'). All team members are IOSH trained Safety Coaches.

During the year, the impact of enacted or forthcoming legislation has been assessed to ensure the Group's working practices remain in line with the latest legislative requirements. Whilst there were several minor changes to climate change agreements and producer responsibility targets there was no significant impact upon the Group's businesses and the management systems used were effective in delivering compliance.

We have a strong commitment to our people, our communities and the environment which is underpinned by an ongoing programme of activities.

General Data Protection Regulation ('GDPR') strategies are well developed in line with the new regulations and preparations for the response to Phase 2 of the Energy Savings Opportunity Scheme ('ESOS'), due in December 2019, are underway. The Group has also been preparing for the transition to International Standards Organisation ('ISO') normative reference 2015 for ISO 14001 Environmental Management and ISO 9001 Quality Management systems and will have completed the transition by December 2018.

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

Environmental

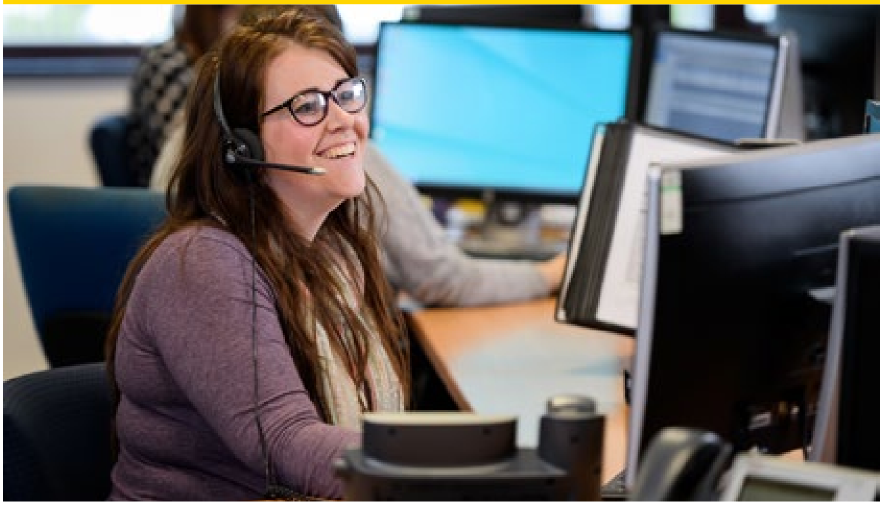
The Group's focus on providing quality assured, recyclable, energy efficient products to help its customers manage their environmental impact drives the Group's product development and its commitment to gaining the highest levels of recognition and certification for its services.

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

During the year, PHS continued to refine 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 organisational carbon footprint and as such is a key environmental factor. The Group continues to work hard to manage the financial and environmental impacts associated with fuel use and now only operates vehicles compliant to 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 and Europe. The quality and commitment of its people differentiates it from its competitors. During the year, the recruitment and induction process was reviewed to improve the joining experience for all new employees.

There has been significant investment in people resourcing, where an in-house resourcing team has been established and an applicant tracking system has been implemented; this is an important step towards improving the retention of great employees.

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

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

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

Employee engagement

In 2017 PHS performed a shorter 'Pulse Survey' which concentrated on the following areas:

- Feeling valued, career & development, fairness & consistency;
- Measure perceived actions/changes since the 2016 survey; and
- Providing a comparison with previous survey results and an ongoing benchmark.

The results of the survey have been fully reviewed and appropriate plans put in place as a result which will address the issues raised.

The overall response rate improved from 53% in 2016 to 61% in 2017 and the Employee Engagement Index ('EEI') score dropped from 65% in 2016 to 60% in 2017.

Learning and development

Learning and Development remains central to PHS's success and over the last year the team has been supporting the change programme across the business, and particularly at the operations centres. Over the next year we will be widening the training programme to support the return to growth by developing world class programmes for the sales teams.

The Group continued to grow its Apprenticeship scheme, with PHS Compliance having a structured apprenticeship programme. The Group celebrated the success of its apprenticeship programme through involvement in Apprenticeship Week which aimed to raise the profile of apprenticeships within PHS.

We invest significantly in the recognition and development of our people.

Ethical policies

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

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

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

It is important to the business that any fraud, misconduct or wrongdoing is reported and properly dealt with. This applies to all employees, including senior managers, officers and directors, whether full or part time. It also applies to other individuals performing functions with or on behalf of the Group, such as agency workers, casual staff, consultants and contractors. The organisation encourages any individuals to raise 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 and in 2017 it introduced 'Team Match Funding' as a way to encourage groups of colleagues to work together to raise money for their chosen charities. The charity initiative is open for applications twice per annum and has attracted a number of applicants from around the business. The successful teams have their stories promoted on the intranet and communications screens in order to give visibility to all colleagues. The Charities Committee, consisting of colleagues from around the Group, is responsible for awarding Team Match Funding.

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

We are an ethical business, and recognise that we have a responsibility to positively impact the communities in which we operate.

We are confident about the opportunities and prospects for the group

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.

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 products and services launched during the year have further differentiated the Group's customer offering and recent changes within the Facilities Management sector have presented the Group with new opportunities.

In the short to medium term, the Group is principally focused on increasing sales, improving pricing and enhancing the experience that customers have with the Group's businesses. The Board is confident that the Group's strategic priorities together with favourable cash generation will deliver growth in the business.

Approved and signed on behalf of the Board

D J B Taylor-Smith
Chief Executive Officer

Colin Thomas
Chief Financial Officer
17 July 2018

Corporate governance

An **experienced and effective** Board

D J B Taylor-Smith
Chief Executive Officer

David Taylor-Smith was appointed to the Board of PHS as Chief Executive Officer on 9 April 2018. He was formerly CEO of VPS Group, a private equity owned specialist property and security company operating across seven countries in Europe, including the UK and Spain. Before that he was on the main Board of Aggreko plc, where he was responsible for Europe, the Middle East and Africa. Prior to Aggreko plc, he was Group COO and CEO for UK and Africa at G4S plc having previously held several other senior management positions within the group. He spent eight years working in the Far East for Jardine Matheson and in his early career he was a British Army Officer and served in Northern Ireland, Germany, Namibia, England and in Cyprus with the United Nations. He has sat on the Board of several charities and is a trustee of the Winston Churchill Memorial Trust. In 2003, he was awarded an MBE in recognition of his charitable activities overseas. He is a Fellow of the Royal Geographical Society and holds a Bachelor's degree in Geography from the University of Southampton.

C J Thomas
Chief Financial Officer

Colin Thomas is Chief Financial Officer of PHS. He joined PHS in 2003 and has previously been both Head of Finance and Group Financial Controller. Before joining PHS, he was Divisional Chief Accountant with Thomson Holidays and undertook senior finance roles at both Hyder plc. and South Wales Electricity plc. Colin qualified as a Chartered Accountant while working at PwC and holds a BSc (Hons) in Mathematics having studied at University College Cardiff.

C R M Kemball
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.

A 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 BA from University of Cambridge.

C G Oldroyd
Non-Executive Director

Graham Oldroyd is a non-executive director of PHS and is Chairman of the Audit Committee. He is a former partner of private equity fund manager Bridgepoint 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.

R A Cerezo
Non-Executive Director

Rafael Cerezo was appointed as non-executive director of PHS on 19 September 2017. He is a director and fund manager at M&G Investments. Since joining M&G in 2006 he has held a number of positions focused on representing M&G in material portfolio investments. Prior to joining M&G he worked at Barclays where he focused on the structuring and execution of both corporate and private equity backed transactions. He holds a Master in Business Administration from Columbia Business School.

A **sustainable and forward-looking** business

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2018.

Principal activities
The Company acted as a holding company for a group of companies which provided workplace services in the UK, Ireland and Spain, during the year. It is anticipated that the role of the Company within the Group will remain unchanged 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 risks associated with interest rate increases, 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
All Directors of the Company who served at any time during the year and up to the date of signing the financial statements are listed on page 56 with biographical information for current Directors shown on pages 26 and 27.

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.

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. Since the balance sheet date the Group made a voluntary prepayment of £30.0m of senior bank debt. The remaining senior debt is not due for repayment until December 2021 and the loans consisting of loan notes are not due for repayment until October 2022.

Statement of disclosure of information to auditors

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

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

Independent Auditors

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

Approved and signed on behalf of the Board

C J Thomas
Chief Financial Officer

17 July 2018

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the group and company balance sheets as at 31 March 2018; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Clarke
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
18 July 2018

Financial statements

Consolidated profit and loss account

for the year ended 31 March 2018

	Note	2018 Total £'000	2017 Continuing operations £'000	2017 Discontinued operations £'000	2017 Total £'000
Turnover	4	**262,140**	273,190	21,985	295,175
EBITDA before exceptional items		**62,425**	63,795	4,172	67,967
Depreciation (excluding exceptional items)		**(18,099)**	(18,745)	(844)	(19,589)
EBITA before exceptional items		**44,326**	45,050	3,328	48,378
Amortisation		**(33,337)**	(33,564)	(1,335)	(34,899)
Profit on disposal of operations		**–**	–	21,123	21,123
Exceptional costs – other	13	**(13,467)**	(8,846)	(145)	(8,991)
Exceptional costs – depreciation	13	**(775)**	(1,994)	–	(1,994)
Operating (loss) / profit	6	**(3,253)**	646	22,971	23,617
Interest receivable and similar income	10	**97**	467	–	467
Interest payable and similar expenses	11	**(52,435)**	(62,026)	(1)	(62,027)
(Loss) / Profit before taxation		**(55,591)**	(60,913)	22,970	(37,943)
Tax on (loss) / profit	12	**4,780**	8,460	(2,740)	5,720
(Loss) / Profit for the financial year		**(50,811)**	(52,453)	20,230	(32,223)

Consolidated statement of comprehensive income
for the year ended 31 March 2018

	2018 £'000	2017 £'000
Loss for the financial year	**(50,811)**	(32,223)
Other comprehensive (expense) / income		
Currency translation differences	**(448)**	(1,169)
Actuarial (loss) / gain on defined benefit schemes	**(812)**	770
Movement in pension surplus not recognised	**754**	(770)
Other comprehensive expense for the year	**(506)**	(1,169)
Total comprehensive expense for the year	**(51,317)**	(33,392)

Balance sheets
as at 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Fixed assets					
Intangible assets	15	**414,711**	448,048	**–**	–
Tangible assets	16	**50,785**	51,892	**–**	–
Investments	17	**–**	–	**21,500**	21,500
		465,496	499,940	**21,500**	21,500
Current assets					
Stocks	18	**6,882**	7,140	**–**	–
Debtors	19	**60,162**	71,083	**177**	250
Cash at bank and in hand	20	**56,675**	42,896	**1**	1
		123,719	121,119	**178**	251
Creditors: amounts falling due within one year	21	**(115,597)**	(120,564)	**(1,739)**	(1,209)
Net current assets / (liabilities)		**8,122**	555	**(1,561)**	(958)
Total assets less current liabilities		**473,618**	500,495	**19,939**	20,542
Creditors: amounts falling due after more than one year	22	**568,439**	537,599	**–**	–
Provisions for liabilities					
Deferred taxation	25	**26,415**	32,166	**–**	–
Other provisions	26	**8,354**	9,067	**–**	–
		34,769	41,233	**–**	–
Capital and reserves					
Called up share capital	27	**311**	311	**311**	311
Share premium account	28	**21,189**	21,189	**21,189**	21,189
Profit and loss account					
At 1 April		**(99,837)**	(66,445)	**(958)**	(554)
Loss for the year		**(50,811)**	(32,223)	**(603)**	(404)
Other changes in equity		**(442)**	(1,169)	**–**	–
	28	**(151,090)**	(99,837)	**(1,561)**	(958)
Total equity		**(129,590)**	(78,337)	**19,939**	20,542
		473,618	500,495	**19,939**	20,542

The financial statements were approved and authorised for issue by the Board on 17 July 2018 and were signed on its behalf by:

D J B Taylor-Smith
Chief Executive Officer

C J Thomas
Chief Financial Officer

The notes on pages 39 to 55 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2018

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

For the year ended 31 March 2017	Called up share capital £'000	Share premium account £'000	Profit and loss account £'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)

The notes on pages 39 to 55 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2018

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

For the year ended 31 March 2017	Called up share capital £'000	Share premium account £'000	Profit and loss account £'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

The notes on pages 39 to 55 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss for the financial year	**(50,811)**	(32,223)
Adjustments for:		
Taxation	**(4,780)**	(5,720)
Interest payable	**52,435**	62,027
Interest receivable	**(97)**	(467)
Profit on disposal of operations	**–**	(21,123)
Amortisation of intangible assets	**33,337**	34,899
Depreciation of tangible assets	**18,874**	21,583
Loss on disposal of tangible assets	**520**	1,771
Cash contributions to defined benefit pension scheme	**(58)**	–
Decrease / (Increase) in stocks	**346**	(95)
Decrease in debtors	**3,094**	13,989
Decrease in creditors	**(8,179)**	(2,087)
Corporation tax (paid) / received	**(2,340)**	402
Net cash generated from operating activities	**42,341**	72,956
Cash flows from investing activities		
Proceeds from sale of subsidiaries and other businesses (net of cash disposed)	**–**	79,481
Purchase of tangible fixed assets	**(18,208)**	(21,208)
Proceeds from sale of tangible fixed assets	**10**	94
Interest received	**78**	419
Hire purchase interest paid	**–**	(6)
Net cash (used in) / generated from investing activities	**(18,120)**	58,780
Cash flows from financing activities		
Repayment of finance leases	**–**	(25)
Repayment of loans	**–**	(206,399)
Deposits required for bank guarantees returned / (paid)	**7,979**	(7,844)
Proceeds from issue of bank borrowings	**–**	71,430
Interest paid on loans	**(18,664)**	(20,171)
Proceeds of shares issued by subsidiary company	**317**	–
Repurchase of shares issued by subsidiary company	**(253)**	–
Net cash used in financing activities	**(10,621)**	(163,009)
Net increase / (decrease) in cash and cash equivalents	**13,600**	(31,273)
Cash and cash equivalents at beginning of year	**42,896**	74,772
Foreign exchange difference	**179**	(603)
Cash and cash equivalents at the end of the year	**56,675**	42,896
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	**56,675**	42,896

1. General information

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

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

2. Accounting policies

Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied consistently:

Basis of consolidation

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

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

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. Since the balance sheet date the Group made a voluntary prepayment of £30.0m of senior bank debt. The remaining senior debt is not due for repayment until December 2021 and the loans consisting of loan notes are not due for repayment until October 2022.

Revenue

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

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

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 term leasehold property	Lease term
Equipment at customers' premises	1 to 12.5 years
Other equipment & vehicles	3 to 10 years
Tooling	4 years

2. Accounting policies continued

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

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

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 note 2 above.

Fair value of intangible assets

Certain separate intangible assets have been identified separately from goodwill. In the absence of an active market with an observable price, the valuation of each intangible asset requires estimation of the future cash flows generated from use of the asset along with selection of appropriate discount rates in order to calculate the net present value of those cash flows. Intangible assets are amortised over their estimated useful economic lives as defined in note 2.

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:

	2018 £'000	2017 £'000
Contractual income	**188,441**	205,965
Non-contractual income	**73,699**	89,210
	262,140	295,175

All turnover arose within Europe.

5. Operating costs

	Total £'000
Year ended 31 March 2018	
Own work capitalised	**(5,430)**
Raw materials and consumables	**32,647**
Staff costs	**98,621**
Depreciation	**18,874**
Amortisation	**33,337**
Other external charges	**87,344**
	265,393

	Continuing £'000	Discontinued £'000	Total £'000
Year ended 31 March 2017			
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

6. Operating (loss) / profit

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

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	**18,874**	21,583
Amortisation of intangible assets, including goodwill	**33,337**	34,899
Exchange differences	**(59)**	(314)
Operating lease rentals	**17,958**	18,944
Impairment of trade debtors (excluding exceptional items – see note 13)	**919**	89

7. Auditors' remuneration

	2018 £'000	2017 £'000
Fees payable to the Group's auditors and their associates for the audit of the Company's financial statements	**7**	7
Fees payable to the Company's auditors and their associates for other services:		
The audit of the Company's subsidiaries	**144**	102
Tax advisory services	**54**	261
Tax compliance services	**41**	40
All other services	**36**	290
	282	700

8. Employees

Group
Staff costs, including Directors' remuneration, for the Group were as follows:

	2018 £'000	2017 £'000
Wages and salaries	**86,597**	96,861
Social security costs	**9,910**	10,276
Other pension costs	**2,114**	2,168
	98,621	109,305

The average monthly number of people, including the Directors, employed by the Group during the year was as follows:

	2018 No.	2017 No.
Administration	**810**	864
Sales	**391**	422
Service	**2,227**	2,558
	3,428	3,844

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

9. Directors' remuneration

	2018 £'000	2017 £'000
Directors' emoluments	**888**	2,245
Company contributions to defined contribution pension schemes	**38**	46
Compensation for loss of office	**667**	–
	1,593	2,291

During the year retirement benefits were accruing to 1 Director (2017: 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £809,000 (2017: £1,216,000) including £349,000 (2017: £nil) compensation for loss of office.

No contributions were paid by the Company to defined contribution pension schemes in respect of the highest paid Director during the year (2017: £nil).

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

10. Interest receivable and similar income

	2018 £'000	2017 £'000
Other interest receivable	**97**	467

11. Interest payable and similar expenses

	2018 £'000	2017 £'000
Bank interest payable	**17,898**	19,875
Loan note interest payable	**34,586**	41,417
Finance leases and hire purchase contracts	**–**	6
Other interest payable	**(49)**	729
	52,435	62,027

Other interest payable includes foreign exchange differences on financing activities.

12. Tax on (loss) / profit

	2018 £'000	2017 £'000
Corporation tax		
Current tax on loss for the year	**1,093**	718
Adjustment in respect of previous periods	**(145)**	(561)
Foreign tax		
Foreign tax on income for the year	**23**	50
Total current tax	**971**	207
Deferred tax		
Origination and reversal of timing differences	**(1,874)**	(858)
Adjustment in respect of previous periods	**(3,560)**	(4,410)
Impact of change in tax rate	**(317)**	(659)
Total deferred tax	**(5,751)**	(5,927)
Taxation on loss	**(4,780)**	(5,720)

Factors affecting tax credit for the year

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

	2018 £'000	2017 £'000
Loss before taxation	**(55,591)**	(37,943)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**(10,562)**	(7,588)
Effects of:		
Expenses not deductible for tax purposes	**9,915**	5,934
Higher / (Lower) taxes on overseas earnings	**17**	(15)
Adjustments in respect of previous periods	**(3,705)**	(4,971)
Non-taxable income	**(145)**	(22)
Unrecognised deferred taxation	**17**	1,601
Re-measurement of deferred tax – change in UK rate	**(317)**	(659)
Total tax credit for the year	**(4,780)**	(5,720)

12. Tax on (loss) / profit continued

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

	2018 £'000	2017 £'000
Exceptional items	**14,242**	10,985

Exceptional items include costs associated with the Group's performance improvement programme (£4,800,000), restructuring of the senior management team (£3,500,000) and the general restructuring of the Group (£1,700,000), start-up costs associated with developing new business processes (£1,900,000), impairment of a trade debt (£1,100,000), and legal and professional fees associated with the financing of the Group (£700,000).

14. Parent Company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The loss for the financial year of the parent Company was £603,000 (2017: loss £404,000).

15. Intangible assets

Group

	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2017 and 31 March 2018	**134,690**	**129,484**	**267,113**	**531,287**
Accumulated amortisation				
At 1 April 2017	33,772	16,186	33,281	83,239
Charge for year	13,507	6,474	13,356	33,337
At 31 March 2018	**47,279**	**22,660**	**46,637**	**116,576**
Net book value				
At 31 March 2018	**87,411**	**106,824**	**220,476**	**414,711**
At 31 March 2017	100,918	113,298	233,832	448,048

16. Tangible assets

Group

	Freehold property £'000	Short-term leasehold property £'000	Equipment at customers' premises £'000	Other equipment & vehicles £'000	Tooling £'000	Total £'000
Cost						
At 1 April 2017	348	2,938	85,324	62,305	133	151,048
Additions	–	376	12,521	4,941	370	18,208
Disposals	–	(8)	(11,509)	(2,499)	–	(14,016)
Exchange adjustments	–	–	383	188	–	571
At 31 March 2018	**348**	**3,306**	**86,719**	**64,935**	**503**	**155,811**
Accumulated depreciation						
At 1 April 2017	82	1,411	54,047	43,616	–	99,156
Charge for year	6	243	12,824	5,736	65	18,874
Disposals	–	(1)	(11,170)	(2,274)	–	(13,445)
Exchange adjustments	–	–	290	151	–	441
At 31 March 2018	**88**	**1,653**	**55,991**	**47,229**	**65**	**105,026**
Net book value						
At 31 March 2018	**260**	**1,653**	**30,728**	**17,706**	**438**	**50,785**
At 31 March 2017	266	1,527	31,277	18,689	133	51,892

17. Investments

Company

	Investments in subsidiary companies £'000
Cost and net book value at 1 April 2017 and 31 March 2018	**21,500**

18. Stocks

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Raw materials and consumables	**426**	621	**–**	–
Finished goods and goods for resale	**6,456**	6,519	**–**	–
	6,882	7,140	**–**	–

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

19. Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	**50,157**	51,760	**–**	–
Amounts owed by group undertakings	**–**	–	**177**	250
Other debtors	**919**	9,394	**–**	–
Prepayments and accrued income	**9,086**	9,929	**–**	–
	60,162	71,083	**177**	250

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

20. Cash at bank and in hand

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash at bank and in hand	**56,675**	42,896	**1**	1

21. Creditors: Amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors	**14,474**	18,887	**-**	-
Amounts owed to group undertakings	**–**	–	**1,730**	1,155
Corporation tax	**213**	1,600	**–**	–
Other taxation and social security	**6,709**	6,991	**–**	–
Other creditors	**17,987**	13,695	**1**	1
Accruals and deferred income	**76,214**	79,391	**8**	53
	115,597	120,564	**1,739**	1,209

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 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bank loans	**267,351**	267,043	**–**	–
Other loans	**301,088**	270,556	**–**	–
	568,439	537,599	**–**	–

23. Loans

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts falling due in one to five years				
Bank loans	**267,351**	267,043	**–**	–
Other loans	**301,088**	–	**–**	–
	568,439	267,043	**–**	–
Amounts falling due after more than five years				
Other loans	**–**	270,556	**–**	–
	–	270,556	**–**	–
	568,439	537,599	**–**	–

Bank loans

Bank loans consist of a Senior Facility loan from financial institutions. At the balance sheet date, £100,789,000 (2017: £115,472,000) of the Senior Facility loan was in respect of borrowings from financial institutions that were shareholders of the Company.

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

At the balance sheet date the Group had a £20,000,000 (2017: £nil) revolving credit facility with the same terms as the Senior Facility.

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

The Group had undrawn committed borrowing facilities at 31 March 2018, consisting of £12,021,000 (2017: £nil) under the revolving credit facility.

The Group has made a voluntary prepayment of £30,000,000 of senior debt since the balance sheet date.

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.

None of the principal on these loan notes was repaid during the year (2017: £122,859,000).

24. Financial instruments

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Financial assets				
Financial assets measured at fair value through profit or loss	**56,675**	42,896	**1**	1
Financial assets that are debt instruments measured at amortised cost	**51,076**	61,154	**177**	250
Financial liabilities				
Financial liabilities measured at amortised cost	**(677,114)**	(649,572)	**(1,730)**	(1,155)

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

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

25. Deferred taxation

Group

	£'000
At 1 April 2017	**(32,166)**
Credited to the profit or loss	**5,751**
At 31 March 2018	**(26,415)**

The provision for deferred taxation is made up as follows:

Group

	2018 £'000	2017 £'000
Accelerated capital allowances	**7,261**	5,258
Short-term timing differences	**142**	189
Intangible assets arising on acquisition	**(33,818)**	(37,613)
	(26,415)	(32,166)

26. Other provisions

Group

	Property £'000
At 1 April 2017	**9,067**
Charged to the profit or loss	**191**
Utilised in year	**(904)**
At 31 March 2018	**8,354**

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

27. Called up share capital

Group and Company

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
305,000,046 (2017: 305,000,046) Ordinary shares of £0.001 each	**305**	305
6,100,003 (2017: 6,100,003) Class 'A' shares of £0.001 each	**6**	6
100 (2017: 100) Class 'B' shares of £0.001 each	**–**	–
	311	311

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

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

28. Reserves

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

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

29. Pension commitments

The Group operates a defined contribution pension plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and is disclosed in note 8. Contributions totalling £265,000 (2017: £236,000) were payable to the fund at the balance sheet date.

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

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

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

The latest audited financial statements of the scheme are made up to 30 April 2017 at which date the scheme, which is contracted out of the state scheme, had net assets of £12,117,000 (30 April 2016: £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.

The Group contributed £58,000 (2017: £2,000) to its Defined Benefit Pension Scheme during the year and expects to contribute £64,000 (2017: £58,000) in the year ending 31 March 2019 in order 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 (2017: £nil).

Composition of plan assets:

	2018 £'000	2017 £'000
Equities	**3,901**	3,993
Gilts	**3,793**	3,726
Corporate bonds	**4,347**	4,368
Cash / trustee bank account	**–**	12
Total plan assets	**12,041**	12,099

	2018 £'000	2017 £'000
Fair value of plan assets	**12,041**	12,099
Present value of plan liabilities	**(10,299)**	(9,664)
Surplus not recognised	**(1,742)**	(2,435)
Net pension scheme assets	**–**	–

29. Pension commitments continued

Reconciliation of fair value of plan liabilities were as follows:

	2018 £'000	2017 £'000
Opening defined benefit obligation	**9,664**	8,859
Interest cost	**237**	283
Actuarial losses	**791**	1,098
Benefits paid	**(393)**	(576)
Closing defined benefit obligation	**10,299**	9,664

Reconciliation of fair value of plan assets were as follows:

	2018 £'000	2017 £'000
Opening fair value of scheme assets	**12,099**	10,469
Interest income	**298**	336
Actuarial (losses) / gains	**(21)**	1,868
Contributions by employer	**58**	2
Benefits paid	**(393)**	(576)
Total plan assets	**12,041**	12,099

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

	2018 %	2017 %
Discount rate	**2.55**	2.50
Aggregate long-term rate of return on assets (net of expenses)	**2.55**	2.50
Retail Prices Index (RPI) Inflation	**3.45**	3.40
Consumer Prices Index (CPI) Inflation	**2.45**	2.40
Future increases in deferred pensions	**2.45**	2.40
Rate of increase in salaries	**n/a**	n/a
Mortality rates		
– for a male member aged 65 now	**22.10**	22.20
– at 65 for a male member aged 45 now	**23.50**	23.80
– for a female member aged 65 now	**24.00**	24.00
– at 65 for a female member aged 45 now	**25.50**	25.50

30. Commitments under operating leases

Group

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

	Group 2018 £'000	Group 2017 £'000
Not later than 1 year	**13,369**	13,036
Later than 1 year and not later than 5 years	**26,115**	27,212
Later than 5 years	**16,939**	21,629
Total	**56,423**	61,877

Company

The Company has no operating leases.

31. Related party transactions

PHS Holdco Limited, a subsidiary of PHS Group Investments Limited, issued shareholder loan notes with a par value of £305,000,000 in October 2014. Unless lender consent is obtained, the loan notes can only be repaid when all committed bank borrowings have been discharged in full. Interest accrues at 12% per annum, of which 11.9% is only payable on redemption of the note with 0.1% being payable in twice yearly instalments. In the year ending 31 March 2017, £122,859,000 of the principal was repaid as part of the Group's refinancing. During the current year, interest of £34,586,000 (2017: £41,417,000) accrued on these loan notes.

Management fees of £544,000 (2017: £495,000) were charged during the year by the non executive Directors for the provision of services.

32. Ultimate parent and controlling party

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

33. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

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

Name	Principal activity
PHS Holdco Limited	Intermediate holding company

Indirect subsidiary undertaking

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

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

33. Subsidiary undertakings continued

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

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

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

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

33. Subsidiary undertakings continued

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

Name	Principal activity
Reisswolf Scotland Limited	Dormant

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

Name	Principal activity
Direct365online Limited	Provision of essential business products

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

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

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

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

Directors and advisors

Directors

D J B Taylor-Smith	Chief Executive Officer	(appointed 9 April 2018)
J Tydeman	Chief Executive Officer	(resigned 15 December 2017)
C J Thomas	Chief Financial Officer	
S A Woods	Executive Director, Specialist	(resigned 30 June 2017)
C R M Kemball	Non-Executive Chairman	
R A Cerezo	Non-Executive Director	(appointed 19 September 2017)
A Nagwaney	Non-Executive Director	(appointed 22 June 2017)
C G Oldroyd	Non-Executive Director	
M R J Pacitti	Non-Executive Director	(resigned 1 July 2017)
C P Sander	Non-Executive Director	(resigned 1 July 2017)
P J Williamson	Non-Executive Director	(resigned 11 May 2018)

Secretary and registered office

D Finlayson
PHS Group
Western Industrial Estate
CAERPHILLY
CF83 1XH

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Chartered Accountants and Statutory Auditors
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