PHS Bidco Limited

Annual report
for the period ended 30 June 2023

Registered no: 9213465

phs Group

PHS Bidco Limited

Annual report
for the period ended 30 June 2023

Strategic report
for the year ended 30 June 2023

The Directors present the Strategic report of PHS Bidco Limited for the 52-week year ended 30 June 2023.

Business overview
An analysis of the Group's turnover and operating profit, by class of business, for the year ended 30 June 2023, is set out below:

Hygiene

Year ended 30 June 2023:
£265.5m turnover (+11.9%)
£66.4m operating profit before central costs and exceptional items (-2.8%)

The Hygiene division comprises the following businesses:

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

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

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

2,098 employees

Specialist

Year ended 30 June 2023:
£68.6m turnover (+4.7%)
£9.8m operating profit before central costs and exceptional items (-3.0%)

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

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

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

Greenleaf – supply and service of live and replica indoor and outdoor plants and the rental of Christmas trees.

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

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

777 employees

PHS Bidco Limited

Directors and advisors

Directors

M Brabin
C J Thomas
T G Scruse
A Fainman

Secretary and registered office

D Finlayson
PHS Group
Block B
Western Industrial Estate
CAERPHILLY
CF83 1XH

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
CARDIFF
CF10 3PW

Solicitors

Blake Morgan LLP
One Central Square
CARDIFF
CF10 1FS

Strategic report
for the year ended 30 June 2023 (continued)

Business overview (continued)

Hygiene

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

Turnover for the Hygiene division for the year increased by 11.9% to £265.5m (2022: £237.2m). Mayflower Hygiene Supplies (London) Limited, Dartry Laundry Limited and Mayflower Hygiene Supplies (Ireland) Limited (collectively "Mayflower") were acquired towards the end of the previous financial year. Consequently, the current year's turnover includes £25.5m in relation to this acquisition whereas only £2.5m was included in the Group's results in the prior year. In addition, Servicios Antiplagas, Higiene Y Control Ambiental S.A.U. ("Sahicasa") was acquired during the year. Sahicasa contributed £0.8m to the Group's turnover for the year. See note 19 for further details regarding the acquisition of Sahicasa.

Operating profit before central costs and exceptional items decreased by 2.8% to £66.4m (2022: £68.3m). Mayflower contributed £1.7m to the Group's profit for the year (2022: £0.2m) and Sahicasa contributed £0.1m.

Hygiene division profit represents over 85% of the Group's operating profit before central costs and exceptional items.

Specialist

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

Turnover for the Specialist businesses for the year increased by 4.7% to £68.6m (2022: £65.5m).

Operating profit before central costs and exceptional items decreased by 3.0% to £9.8m (2022: £10.1m).

Financial review

Overview

During the year, Group turnover increased by 10.4% to £334.1m (2022: £302.7m). Operating profit before shared services and exceptional items decreased by 2.8% to £76.2m (2022: £78.4m). Central costs decreased by 11.2% to £23.1m (2022: £26.0m) leading to EBITA before exceptional costs of £53.1m (2022: £52.4m); a 1.3% increase on last year.

Exceptional income of £0.1m (2022: £0.6m costs) and amortisation of intangible assets of £0.3m (2022: £0.1m) were incurred in the year, resulting in an operating profit of £52.9m (2022: £51.7m).

After net finance charges for the financial year of £14.4m (2022: £8.7m), which includes foreign exchange charges of less than £0.1m (2022: £6.6m credits), the pre-tax profit increased to £38.5m (2022: £43.1m).

The tax charge for the year was £5.0m (2022: £0.5m credit), resulting in a profit after interest and tax for the financial year of £33.5m (2022: £43.6m).

Total assets less current liabilities, at 30 June 2023, totalled £243.4m (2022: £214.8m).

Strategic report
for the year ended 30 June 2023 (continued)

Financial review (continued)

Re-organisation costs and one-off items

Exceptional income totalling £0.1m was incurred during the year (2022: £0.6m charge) including fees incurred in relation to acquisitions (£0.3m) and internal restructuring exceptional items (totalling £0.1m) offset by credits associated with onerous properties (£0.5m).

Cash flow and net debt

Net cash generated from operating activities, as shown in the 'Consolidated statement of cash flows', increased by 9.1% to £85.6m (2022: £78.4m). Net cash inflow from operating activities after capital expenditure of £19.2m (2022: £20.4m) increased by 14.3% to £66.4m (2022: £58.1m).

During the year the Group bought Servicios Antiplagas, Higiene Y Control Ambiental S.A.U. ("Sahicasa") for £1.8m, net of cash acquired. See note 19 for further details regarding the acquisition of Sahicasa.

Operating cash flows improved during the year and, despite the acquisition of Sahicasa for £1.8m, the cash balance increased by £25.6m (2022: increased by £22.2m) due to strong working capital management. Non-current financial liabilities decreased by £3.7m to £290.5m (2022: £294.1m) due to the repayment of lease liabilities. See note 25 for more details on the Group's financial liabilities.

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

Principal risks and uncertainties

The principal risks for the Group relate to competition for new and existing customers and therefore the price and service proposition 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 significant training and development initiatives, backed up by improvement plans based on employee surveys.

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

Key performance indicators

The following financial key performance indicators are used to judge performance towards those strategic objectives listed above.

	2023	2022	Change
Financial KPIs			
Change in turnover	+10.4%	+7.9%	n/a
EBITA before exceptional items	£53.1m	£52.4m	+1.3%
EBITDA before exceptional items	£82.7m	£78.8m	+5.0%
Net cash inflow from operating activities less capital expenditure	£66.4m	£58.1m	+14.3%

Strategic report
for the year ended 30 June 2023 (continued)

Key performance indicators (continued)

"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 before exceptional items" is earnings before interest, tax, amortisation and exceptional items.

"EBITDA before exceptional items" is earnings before interest, tax, depreciation, amortisation and exceptional items.

"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 Directors do not consider there to be any appropriate non-financial key performance indicators that are not commercially sensitive.

Section 172(1) statement

PHS Bidco Limited is the parent of a group of companies known as the PHS Group ("PHS"). The Board of PHS Bidco Limited are responsible for the oversight of the Company and the rest of the PHS Group. The narrative below explains how the policies of the PHS Group allow the Directors to carry out their duties in respect of the Company's and Group's stakeholders.

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups. Effective engagement with stakeholders enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long-term success of the Company.

PHS has a unique culture that has been built up over 60 years and, as the business has evolved, our culture and values have evolved with it. Clear values highlight what is important to PHS and they help influence the way we do business. Our values help us to take care of our customers and colleagues and deliver great service all of which underpin the long-term success of the Company.

- **Integrity** – we do the right thing for each other, our customers and our planet
- **Performance** – we strive to deliver an excellent customer experience
- **Expertise** – we are industry experts and we share our knowledge
- **Innovation** – we aren't afraid to try new things to be the best we can be
- **Teamwork** – we work together and we look out for each other
- **Ownership** – we take responsibility and get stuff done

The following disclosures describe how the Board has had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006.

Employees' interest

PHS employs over 3,000 people throughout the UK. The quality and commitment of our people differentiates us from our competitors.

The Board recognises the importance of having a good understanding of the services our front-line colleagues deliver to customers. In order to enhance the knowledge and appreciation of the methods, equipment and systems being used, and the environment our colleagues work in, a Back to the Floor initiative was launched. All members of the executive and senior management teams spend time working alongside front-line colleagues. The ideas and insights gained from these experiences are fed back to the Board so that all learning points from the front-line are captured and appropriate actions taken.

Section 172(1) statement (continued)

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

PHS is committed to developing its employees and offers a comprehensive range of training and development and apprenticeship programmes to employees both online and face-to-face. During the year, 128 people started work based learning programmes; 77 started an apprenticeship, 10 started an NVQ course, 8 started a supported internship via Project Search to help young people with special needs find full time employment, 5 started courses through the Scottish Flexible Workforce Development fund, 1 person completed a course funded through the Northern Irelands Skill up programme, 20 people started courses funded through Wales Personal Learning Accounts,10 people started courses funded through England skills bootcamp and 5 started courses through Chwarae Teg; a charity inspiring, leading and delivering gender equality in Wales.

The Company is committed to creating a safe environment for all current and prospective employees. We have a proactive approach to health and safety through the implementation of the *phs Yellow Rules* Health and Safety regime which monitors health and safety in the workplace. Our Health and Safety team proactively monitor and audit health and safety Key performance indicators which are reviewed by management at the start of key meetings.

The Company is committed to fairness, equality and non-discrimination. 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.

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

Business relationships

Our customers are at the heart of our business and it is therefore vital that we listen to them and respond quickly when issues arise. To support this, we use Net Promoter Score (NPS) throughout the business which encourages customer feedback and gives transparency on how the Company is performing against customers' needs.

PHS has strong links with organisations such as Logistics UK, Chartered Institute of Waste Management ("CIWM"), Scottish Qualifications Authority ("SQA") and the Healthcare Waste Management Association ("HWMA"). These links help to ensure that PHS 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. PHS is involved with the CIWM & IOSH Healthcare Special Interest Group and the IOSH Transport & Distribution Special Interest Group.

Impact of operations on the community and the environment

PHS's focus on providing quality assured, recyclable, energy efficient products to help its customers manage their environmental impact drives product development and the Company's 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, PHS 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. PHS has made improvements to the energy efficiency of its buildings, including investments in lighting upgrades, equipment upgrades, and improved insulation and heat retention.

Strategic report
for the year ended 30 June 2023 (continued)

Section 172(1) statement (continued)

Vehicle fuel is responsible for the majority of PHS's direct carbon emissions (scope 1) and as such is a key environmental factor. PHS continues to work hard to manage the financial and environmental impacts associated with fuel use and all new vehicles meet Euro 6 standards. PHS is working closely with manufacturers to identify new solutions and introduced 38 electric vehicles within its fleet during the year and a further 40 since the reporting date. PHS has also continued to invest in both route optimisation and enhanced vehicle telematics to ensure that both route and fuel efficiency are maximised. PHS also operates a safe driving scheme which monitors driving behaviour using telematics. This has resulted in improved safety, lower accidents and improved fuel efficiency since the project was started.

Furthermore, walking and electric bike routes have been successfully trialled in densely populated areas and Ultra Low Emission Zones ("ULEZ") during the year.

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

During the year, PHS diverted 88.8% of its offensive waste into sustainable waste disposal methods and has increased its target to 95%. To do this, it must have a multifaceted approach to waste disposal. Contracting with national Energy from Waste ("EfW") suppliers, which offer greater capacity, enables a UK only supply chain, a better solution for customers and demonstrates its long-term commitment to sustainable waste disposal.

Business conduct

The Company has a duty to act responsibly and to show the highest levels of ethical and moral stewardship. PHS has in place a suite of policies and procedures applicable to all employees covering dealings with colleagues, agents, customers, suppliers, subcontractors, competitors, government officials, the public and investors.

Governance

Good governance is fundamental to creating and maintaining an effective sustainable business. Accordingly, the Board remains committed to reviewing, adapting and developing its governance processes and procedures to ensure it meets its responsibilities to shareholders and wider stakeholders for the Company's and Group's activities and long-term success.

The board believes governance of the Company is best achieved by delegation of its authority for the executive management of the Company, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.

The governance practices of the Company and the Group are discussed in more detail in the Governance statement in the Directors' report.

Strategic report
for the year ended 30 June 2023 (continued)

Outlook and future development

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

Approved and signed on behalf of the Board

Colin Thomas

C J Thomas
Chief Financial Officer
22 March 2024

Directors' report
for the year ended 30 June 2023

The Directors present their report and the audited consolidated financial statements for PHS Bidco Limited (the "Company") for the 52-week year ended 30 June 2023.

Principal activities

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

Results and dividends

The profit for the financial year amounted to £33.5m (2022: £43.6m).

The Directors do not recommend the payment of a final dividend for the year (2022: £nil). No dividends were paid during the year (2022: £11.4m).

Interim dividends, in respect of the year to 30 June 2024, of £55.5m and £6.7m were paid were paid to the Company's sole shareholder on 1 August 2023 and 29 December 2023, respectively.

Directors

The directors who served during the period and up to the date of approval of the financial statements were:

M E S Brabin
C J Thomas
T G Scruse
A Fainman

Future developments

It is anticipated that the role of the Company within the group will remain unchanged into the foreseeable future.

Financial risk management

The Company's operations expose it to a variety of financial risks, the most significant being the financing of tangible fixed assets, working capital management and foreign exchange movements.

The Company is financed by parent companies that have access to sufficient external borrowings that are made available for the Company's use as necessary. Therefore, the exposure of the Company to any adverse effect on its financial performance resulting from interest rate changes is minimal.

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

The strategy is to finance the acquisition of tangible fixed assets through the Company's strong post-tax cash flows. 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.

Suppliers are paid on time, consistent with negotiated payment terms. Inventory levels are closely monitored to strike a balance between meeting customer demand and efficient working capital management.

Directors' report
for the year ended 30 June 2023 (continued)

Research and development activities

Technical development is considered to be an important part of the Company's ongoing advancement. Resources are employed in the development of new products or improving existing products to continuously improve the range and quality of products that we offer our customers.

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

Streamlined Energy and Carbon Reporting

PHS is committed to reducing the energy consumption and the carbon impact of our operations. PHS understands that it has a role in ensuring that the UK meets its target of bringing its greenhouse gas emissions to a Net Zero position by 2050 and aligned its targets for 2022/23 with our Net Zero plan. The target for this year was 10% emissions reduction and despite continued business growth and acquisitions we decreased total emissions by 21.1% whilst reducing our CO_2e intensity by 29.0%. Our target is to reach Net Zero by 2040.

Quantification and reporting methodology
This report will use data collected between 26 June 2022 and 25 June 2023 in line with our financial year.

We have used an operational control boundary to determine the operations on which we are going to report. These businesses are fully under our control allowing us to identify existing energy usage, evaluate its impact and implement any energy reduction measures identified in this report.

Having now made three ESOS submissions that have been verified by a qualified Lead Assessor and accepted by the regulator we have used the "Complying with the Energy Savings Opportunity Scheme (ESOS)" guidance for quantifying and reporting on our energy consumption. For the purposes of converting energy figures into kWh and tCO_2e we have utilised the UK Government 2022 GHG Conversion Factors for Company Reporting.

Emissions data

Emission data for the current and prior year is shown below:

			2023		2022	
Emission type	**Note(s)**	**Scope**	**Consumption (kWh)**	**Emissions (tCO_2e)**	**Consumption (kWh)**	**Emissions (tCO_2e)**
Natural gas	1	1	10,986,597	2,005	9,014,633	1,646
Gas oil	2	1	-	-	145,769	37
Vehicle fuel (diesel)	3	1	53,985,420	13,019	62,544,709	15,083
Vehicle fuel (petrol)	3	1	997,684	227	3,408,027	774
Electricity	4	2	3,226,685	624	2,863,513	554
Electricity (transmission and distribution)	5	3	-	57	-	51
Higher risk - mandated	6	3	-	130	-	138
Lower risk waste – energy recovery	6	3	-	1,183	-	935
Lower risk waste - landfill	6	3	-	3,268	-	6,850
Travel and accommodation	7	3	-	243	-	238
Scope 1 total			**65,969,701**	**15,251**	**75,113,138**	**17,540**
Scope 2 total			**3,226,685**	**624**	**2,863,513**	**554**
Scope 3 total			**-**	**4,881**	**-**	**8,212**
Grand total			**69,196,386**	**20,756**	**77,976,651**	**26,306**

Directors' report
for the year ended 30 June 2023 (continued)

Streamlined Energy and Carbon Reporting (continued)

Current emissions

Notes

1. Burning of gas for space heating and PHS product washing processes e.g. bin washing, laundering of mats, workwear & roller towels etc.
2. Burning of gas oil, burning oil and LPG for the activities specified above where natural gas is not available. The Company ceased use of these in December 2021.
3. Burning of motive fuels in our vehicle fleet and grounds maintenance equipment.
4. Consumption of electrical energy supplied from national grid for lighting, heating (air-conditioning) and powering of electrical and electronic equipment.
5. Emissions derived from losses experienced during the transmission and distribution of electrical energy.
6. *The nature of the waste collected from our customer sites determines the disposal method(s) available.* Whereas the disposal method of higher risk waste types (e.g. infectious, pharmaceutical and sharps waste) is mandated by regulation, for lower risk waste types (e.g. sanitary, nappy and incontinence waste) a range of disposal methods is available. We strive to maximise the amount of lower risk waste disposed of via energy recovery plants, generating electricity for the national grid, but due to a lack of capacity in the network a small proportion of such waste is still disposed of via landfill.
7. Includes public transport and hotels.

In the prior year we reported 848,037 kWh of gas consumption. This should have been 9,014,633 kwh. As a result, emissions last year were quoted as 153 tCO_2e instead of 1,649 tCO_2e. This has been corrected in this year's emission data table.

We are now monitoring scope 3 emissions arising from the disposal of customer waste and, for ease of comparability, the prior year figures have been updated to include the equivalent emissions. Prior year figures have also been restated to reflect the 2022 GHG Conversion Factors.

Intensity measure

Due to the diversity of products and services offered by PHS the only consistent, stable and applicable performance indicator is our annual turnover versus the carbon emissions we generate. For this reason, the intensity measure we will use is tCO_2e/£m, i.e. the tonnes of CO_2e per £m of revenue generated (without any deductions). Annual turnover for the parts of the business in scope of SECR, which includes Personnel Hygiene Services Limited and its UK subsidiaries, during the financial year was £309,140,721 (2022: £278,279,929).

This year we reduced our tCO^2e/£m from 94.53 to 67.14 which represents a 29.0% reduction from the prior year and exceeds the target that we set.

		2023	**2022**
Emission type	**Scope**	**tCO_2e/£m**	**tCO_2e/£m**
Natural gas	1	6.50	5.91
Gas oil	1	0.00	0.13
Vehicle fuel (diesel)	1	41.91	54.20
Vehicle fuel (petrol)	1	0.77	2.78
Electricity	2	2.16	1.99
Electricity (transmission and distribution)	3	0.19	0.18
Higher risk waste - mandated	3	0.42	0.50
Lower risk waste – energy recovery	3	3.83	3.36
Lower risk waste - landfill	3	10.57	24.62
Travel and accommodation	3	0.79	0.86
Total		**67.14**	**94.53**

Directors' report
for the year ended 30 June 2023 (continued)

Streamlined Energy and Carbon Reporting (continued)

Efficiency measures

PHS has implemented the following measures in order to manage and reduce its emissions:

Energy Consumption Monitoring - All energy consuming processes are continually evaluated against an appropriate metric e.g. kilogrammes of dust mats laundered per kWh to ensure that we identify any deficiencies in the use of plant and machinery, reductions in machine efficiency and process efficiency opportunities.

Energy Procurement - We use a specialist broker to continuously monitor the energy market and identify opportunities to switch our energy supply to renewable sources.

Replacement of Equipment and Infrastructure - Whole life emissions are considered when installing and replacing equipment/infrastructure and energy efficient alternatives utilised where a business case supports it e.g. the replacement of fluorescent light fixtures with LED alternatives.

Vehicle Monitoring - We have installed telemetry in all commercial vehicles to monitor speed, driving behaviours (acceleration, cornering and braking) and fuel efficiency. Telemetry is analysed by our in-house fleet management team and reports discussed with site managers during daily "Beat Calls" so that non-conformances and identified negative trends can be dealt with immediately.

Vehicle Downgrade Scheme - We currently operate a company car downgrade scheme which allows employees to switch to a car with lower emissions in return for an increased cash allowance. In the reporting year we also implemented a car scheme giving colleagues significant discounts on leasing of electric and hybrid vehicles.

Scheduling and Route Optimisation - We utilise route optimisation software and have an in-house scheduling team to continuously monitor our route profile and ensure that our fleet travels the most efficient number of miles to service our customers' needs.

Climate Change Agreements - Currently two of our laundries are in a climate change agreement which incentivises them to generate energy efficiency improvements.

Walking and E bike collection rounds - Removing the need for fossil fuel use in congested areas, we have now employed colleagues who use a trolley or e-bike to collect waste in busy cities. This reduces congestion and removes emissions.

Increase in electric vehicle fleet - PHS was aiming to add 100 electric vehicles to its fleet this year. Delays in vehicle production hindered our targets, but we did add 38 electric vehicles to our fleet, and these are in operation around the country. Since the reporting date we have increased our electric vehicle fleet to 78.

Waste diversion from landfill - We are now monitoring scope 3 emissions arising from the disposal of customer waste and the figures are reported in this year's emission data. Whilst this increases our absolute intensity figure, PHS is proud to report that 88.8% (2022: 75.0%) of lower risk waste (i.e. waste which can legally be landfilled) has been diverted away from landfill to energy recovery plants; an increase of 13.9%. This year's landfill diversion activity has saved 24,783 tCO_2e (2022: 19,575 tCO_2e).

Employee involvement

It is Company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the Company's performance, are consulted wherever necessary and are encouraged generally to be involved in the Company's overall performance.

It is established Company policy to offer the same opportunities to disabled people as to all others in matters of recruitment and career advancement, provided they have the abilities to perform the tasks required with or without training, and to provide retraining where necessary in cases when disability arises during employment with the Company.

Going concern

In determining whether the Group's and Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's and Company's business activities together with factors likely to affect its performance and financial position. The factors included the likely impact of the uncertain global and UK economic outlook and high inflation rates.

The Bidvest Group Limited has provided support to the PHS Group and this support will be available for the foreseeable future, being at least 12 months from the date of these financial statements.

The Directors have concluded with regard to the most recent projections available that the Company will have available sufficient funding to enable it to continue as a going concern and meet its liabilities as they fall due for the foreseeable future.

The group is in a net current liabilities position of £216.6m (2022: £247.7m) at the reporting date as a result of amounts totalling £240.2m due to its immediate parent company. The Directors have confirmation that these balances will not be called in within at least 12 months following the signing of the financial statements.

Directors' responsibilities statement

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 financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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.

Directors' report
for the year ended 30 June 2023 (continued)

Directors' responsibilities statement (continued)

The directors are 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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.

Corporate governance statement

The Group has always endeavoured to apply the highest standards of corporate governance and has a goal of continuous improvement in its governance processes. The Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations'), in force since 1 January 2019, aim to extend sustainable and responsible governance practice beyond listed companies and into private limited companies.

A subsidiary, Personnel Hygiene Services Limited, is a large private company which meets the threshold specified in the Regulations, the Company is required to disclose its corporate governance arrangements. As explained below, during the reporting period ended 30 June 2023, the Company continued to operate under high standards of corporate governance. The Regulations also require the Company to report on how its directors have considered their duties under section 172 of the Companies Act 2006 during the reporting period. This is set out in the Strategic report.

Throughout the reporting period the Company followed the corporate code of conduct and code of ethics as set out by its ultimate parent company, The Bidvest Group Limited.

The Company has a duty to act responsibly and to show the highest levels of ethical and moral stewardship. PHS's ethical business practice policy is in place and applies to all employees in relation to dealings with its people, agents, customers, suppliers, subcontractors, competitors, government officials, the public and investors. To support this, there are a wide range of policies, procedures and training modules available including, modern slavery, whistleblowing, anti-bribery and anti-corruption, business expenses and entertaining. The Company's website also provides a whistleblowing facility, thereby providing members of the public with a mechanism by which to report concerns about unethical practices or employee misconduct.

The Company has developed a strategy to develop sustainable long-term value. This strategy is developed in conjunction with stakeholders and is articulated as part of every quarterly video update calls to all employees.

The agenda for quarterly Audit Committee meetings includes a standing item covering conflicts of interest. Prior to each meeting, declarations are obtained from all directors and senior employees and, to the extent that these declarations contain circumstances which could give rise to a conflict, these declarations form part of the information pack circulated to Audit Committee members ahead of the meeting.

The Company's risk register features financial, non-financial and reputational risks, each of which is assessed for probability and likely impact before being allocated an overall risk score. The register is reviewed regularly, with each risk being discussed and mitigation measures to reduce probability and/or impact agreed and implemented where possible.

For internal control purposes and to ensure proper accountability amongst the board and management team, the Company maintains a delegated authority matrix. This matrix covers a wide range of topics (including planning, employee matters, capital investment, procurement, commercial and litigation) and clearly sets out the authority limits applicable to various levels of management. The matrix is reviewed on a regular basis, with any revisions resulting in a new version being distributed to the senior management team for communication to the wider business.

The employment terms and conditions of the vast majority of the Company's employees are covered by the delegated authority matrix, but for a defined group of senior employees these matters are reserved by the parent company.

Directors' report
for the year ended 30 June 2023 (continued)

Corporate governance statement (continued)

The Company encourages feedback from its stakeholders. Its board of directors includes shareholder representatives who are thereby directly involved in strategic decision making. The nature of the Company's business means that it serves a very large number of customers, whose feedback is encouraged and closely monitored, with all negative comments being treated as learning opportunities and followed up within 24 hours. On a quarterly basis, the Company provides live video updates to all employees, at which questions and feedback are invited. Employee engagement surveys are run approximately biennially, with results closely monitored and any recurring themes developed into a schedule of management actions. These actions are tracked at regular senior team meetings until all have been closed out.

The nature of the Company's business means that its daily operations are conducted with heightened awareness of and rigid compliance with various environmental regulations. More detail on the Company's approach to environmental matters is provided as part of the Section 172(1) statement in the Strategic report.

Qualifying third party indemnity provisions

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 last 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved and signed on behalf of the board

Colin Thomas

C J Thomas
Director
22 March 2024

Independent auditors' report to the members of PHS Bidco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- PHS Bidco 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 30 June 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements 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: Consolidated and Company statements of financial position as at 30 June 2023; Consolidated Statement of comprehensive income, Consolidated and Company statements of changes in equity and Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Independent auditors' report to the members of PHS Bidco Limited (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 30 June 2023 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 Directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and health & safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries designed to manipulate the financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of PHS Bidco Limited (continued)

- Enquiry of management and consideration of any known or suspected instances or non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenging the assumptions and judgements made by management in the significant accounting estimates within the accounts;
- Identifying and testing journal entries, in particular those posted with unusual account combinations;
- Obtaining third party confirmations of the group and company's banking arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
22 March 2024

PHS Bidco Limited

Consolidated Statement of comprehensive income for the year ended 30 June 2023

	Note	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Revenue	4	**334,117**	302,718
EBITDA before exceptional items		**82,739**	78,826
Depreciation (excluding exceptional items)		**(29,622)**	(26,413)
EBITA before exceptional items		**53,117**	52,413
Amortisation of intangible assets	18	**(335)**	(54)
Exceptional items - other	10	**82**	(614)
Operating profit	6	**52,864**	51,745
Finance income	12	**540**	6,620
Finance costs	13	**(14,917)**	(15,275)
Profit before taxation		**38,487**	43,090
Tax on profit	14	**(5,014)**	547
Profit for the financial year		**33,473**	43,637
Other comprehensive (expense) / income:			
Items that will not be reclassified to profit or loss			
Currency translation differences net of tax		**(15)**	20
Actuarial loss on defined benefit schemes net of tax	30	-	(1,678)
Movement on pension surplus not recognised net of tax	30	-	1,678
Other comprehensive (expenses) / income for the year		**(15)**	20
Total comprehensive income for the year		**33,458**	43,657

The accompanying notes form an integral part of the financial statements.

PHS Bidco Limited (Registered no: 9213465)

Consolidated statement of financial position as at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Non-current assets			
Property, plant and equipment	15	**46,555**	45,847
Right-of-use assets	16	**38,410**	41,803
Intangible assets	18	**374,948**	373,261
Deferred taxation	26	**-**	1,523
		459,913	462,434
Current assets			
Inventories	20	**8,748**	8,713
Trade and other receivables	21	**92,324**	83,165
Cash and cash equivalents	22	**71,827**	46,229
		172,899	138,107
Total Assets		**632,812**	600,541
Current liabilities			
Trade and other payables	23	**374,436**	373,835
Short-term portion of provisions	27	**2,643**	298
Provision for taxation		**1,713**	595
Short-term portion of lease liabilities	16	**10,657**	11,044
		389,449	385,772
Non-current liabilities			
Inter-group loans	24	**268,000**	268,000
Deferred taxation	26	**1,474**	702
Long-term portion of provisions	27	**9,104**	11,861
Long-term portion of lease liabilities	16	**22,460**	26,129
		301,038	306,692
Equity			
Called ups hare capital	28	**11**	11
Share premium account	29	**1,967**	1,967
Share-based payment reserve	29	**1,675**	885
Accumulated losses	29	**(61,328)**	(94,786)
		(57,675)	(91,923)
Total Equity and Liabilities		**632,812**	600,541

The financial statements on pages 19 to 62 were approved and authorised for issue by the Board of Directors on 22 March 2024 and were signed on its behalf by:

Colin Thomas

C J Thomas
Director

The notes on pages 25 to 62 form part of these financial statements.

PHS Bidco Limited (Registered no: 9213465)

Company statement of financial position as at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Non-current assets			
Investments	17	**219,505**	219,505
		219,505	219,505
Current assets			
Inter-group receivables		**143,109**	137,222
Cash and cash equivalents	22	**1**	18,001
		143,110	155,223
Total Assets		**362,615**	374,728
Current liabilities			
Inter-group payables		**240,195**	252,055
		240,195	252,055
Equity			
Called up share capital	28	**11**	11
Share premium account	29	**1,967**	1,967
Retained earnings	29		
At beginning of the period		**120,695**	124,534
(Loss) / Profit for the period		**(253)**	7,577
Dividends paid		**-**	(11,416)
At end of the period		**120,442**	120,695
		122,420	122,673
Total Equity and Liabilities		**362,615**	374,728

The financial statements on pages 19 to 62 were approved and authorised for issue by the Board of Directors on 22 March 2024 and were signed on its behalf by:

Colin Thomas

C J Thomas
Director

The notes on pages 25 to 62 form part of these financial statements.

PHS Bidco Limited

Consolidated statement of changes in equity

	Notes	Called up share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 July 2021		11	1,967	344	(127,028)	(124,706)
Profit for the financial year		-	-	-	43,637	43,637
Other comprehensive income		-	-	-	20	20
Total comprehensive income for the period		-	-	-	43,657	43,657
Credit relating to equity-settled share-based payments		-	-	541	-	541
Dividends paid	32	-	-	-	(11,415)	(11,415)
Transactions with owners		-	-	541	(11,415)	(10,874)
At 30 June 2022		11	1,967	885	(94,786)	(91,923)
Profit for the financial year		-	-	-	**33,473**	**33,473**
Other comprehensive expense		-	-	-	**(15)**	**(15)**
Total comprehensive income for the period		-	-	-	**33,458**	**33,458**
Credit relating to equity-settled share-based payments		-	-	**790**	-	**790**
Transactions with owners		-	-	**790**	-	**790**
At 30 June 2023		**11**	**1,967**	**1,675**	**(61,328)**	**(57,675)**

The notes on pages 25 to 62 form part of these financial statements.

Company statement of changes in equity

	Notes	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 July 2021		11	1,967	124,534	126,512
Profit for the financial year		-	-	7,577	7,577
Total comprehensive income for the period		-	-	7,577	7,577
Dividends paid	32	-	-	(11,416)	(11,416)
Transactions with owners		-	-	(11,416)	(11,416)
At 30 June 2022		11	1,967	120,695	122,673
Loss for the financial year		-	-	**(253)**	**(253)**
Total comprehensive expense for the period		-	-	**(253)**	**(253)**
At 30 June 2023		**11**	**1,967**	**120,442**	**122,420**

The notes on pages 25 to 62 form part of these financial statements.

Consolidated statement of cash flows

	Notes	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Cash flows from operating activities			
Profit before taxation		**38,487**	43,090
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and right-of-use assets	15, 16	**29,622**	26,413
Reversal of impairment of right-of-use assets	16	-	(151)
Amortisation of intangible assets	18	**335**	54
Loss on disposal of property, plant and equipment		**15**	69
Finance income		**(540)**	(6,620)
Finance costs		**14,917**	15,275
Increase in trade and other receivables		**(8,843)**	(2,686)
Decrease / (Increase) in inventories		**69**	(917)
Increase in trade and other payables and provisions		**12,762**	3,601
Corporation tax (paid) / refunded		**(1,238)**	318
Net cash generated from operating activities		**85,586**	78,446
Investing activities			
Purchase of property, plant and equipment	15	**(19,179)**	(20,366)
Proceeds from sale of property, plant and equipment		**112**	194
Payments for acquisition of subsidiaries, net of cash acquired	19	**(1,785)**	(16,773)
Interest receivable		**540**	43
Net cash used in investing activities		**(20,312)**	(36,902)
Financing activities			
Repayment of bank borrowings		-	(459)
Proceeds from intercompany loan	24	-	268,000
Repayment of intercompany loan	24	**(12,341)**	(246,658)
Payment of principal portion of lease liabilities	16	**(12,588)**	(11,870)
Payment of interest element of lease liabilities	16	**(2,368)**	(1,905)
Other finance costs		**(12,422)**	(15,030)
Dividends paid to shareholders	32	-	(11,415)
Net cash used in financing activities	33	**(39,719)**	(19,337)
Net increase in cash and cash equivalents		**25,555**	22,207
Cash and cash equivalents at beginning of year	22	**46,229**	23,829
Foreign exchange difference		**43**	193
Cash and cash equivalents at the end of the year	22	**71,827**	46,229
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand	22	**71,827**	46,229

Notes to the financial statements for the period ended 30 June 2023

1. Corporate information

PHS Bidco Limited ('the Company') is the holding company of a group whose principal activity is the provision of essential workplace services.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales with a registered number of 09213465. The address of its registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

2. Principal accounting policies

Basis of preparation

The consolidated financial statements of PHS Bidco Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These financial statements have been prepared on a going concern basis under the historical cost convention.

The Company has prepared its financial statements on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The Company and consolidated financial statements are presented in sterling and all values rounded to the nearest thousand (£'000), except where indicated otherwise.

The following principal accounting policies have been applied consistently.

Financial reporting standard 101 – reduced disclosure exemptions taken by the Company

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments, Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(f) (a statement of financial position as at the beginning of the preceding period when and entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and
  - 40A-D (requirements for a third statement of financial position).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of: iii. Paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d) (statement of cash flows);16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B–D (additional comparative information);
- 111 (statement of cash flows information); and
- 134–136 (capital management disclosures);

Notes to the financial statements for the period ended 30 June 2023 (continued)

- IAS 7, 'Statement of cash flows' Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting *estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS* that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group; and
- Paragraphs 130(f)(ii), 130(F)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

This information is included in these consolidated financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Going concern

In determining whether the Group's and Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its performance and financial position. The factors included the likely impact of the uncertain global and UK economic outlook and high inflation rates.

The ultimate parent undertaking, The Bidvest Group Limited, has provided support to the PHS Group and this support will be available for the foreseeable future, being at least 12 months from the date of these financial statements.

The Directors have concluded with regard to the most recent projections available that the Group will have available sufficient funding to enable it to continue as a going concern and meet its liabilities as they fall due for the foreseeable future.

The group is in a net current liabilities position of £216.6m (2022: £247.7m) at the reporting date as a result of amounts totalling £240.2m due to its immediate parent company. The Directors have confirmation that these balances will not be called in within at least 12 months following the signing of the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiary undertaking as of 30 June 2023. The Group controls a subsidiary where it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Inter-company transactions, balances, unrealised gains and unrealised losses (unless the transaction provides evidence of an impairment of the transferred asset) between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements for the period ended 30 June 2023 (continued)

Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants towards staff employment costs are recognised as income over the periods necessary to match them with the related costs and are presented as a credit in the Statement of comprehensive income within 'net operating expense'. For an analysis of 'net operating expense' see note 5.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and value added taxes. The Group recognises revenue when performance obligations have been satisfied and for the Group this is when the goods or services have transferred to the customer.

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 full or partial performance of its contractual obligations. The contracts will typically have a duration of more than one year and will specify a price for the services to be provided. This may be a fixed income for a period where the products and services to be provided over that period are pre-determined or a variable income where the quantum of products and services provided will vary. Where the income for a period is fixed, income is recognised as revenue on a straight-line basis over the term of that performance obligation period. Where dependent on activity, income is recognised as revenue on successful delivery of the performance obligation.

Non-contractual income consists of the invoiced value of goods sold (which is recognised on despatch) plus service contract income of a non-recurring nature (which is recognised on successful delivery of the performance obligation).

A receivable is recognised to the extent that it reflects the Group's full or partial performance of its contractual obligations or, for the sale of goods, when the goods are despatched as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If an invoice has been raised for the goods or services rendered, a receivable is recognised in trade receivables. If no invoice has been raised, a receivable is recognised in contract assets. Payment is due when the credit terms agreed with customers have expired.

A contract liability is recognised where the invoicing exceeds the services rendered.

Contracts for the provision of workplace services may include retrospective discounts. Revenue from these contracts is recognised based on the price specified in the agreement, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the retrospective discounts, using the expected value method, with revenue being recognised only to the extent that it is highly probable that a significant reversal will not occur. A liability (included in 'other creditors and accruals' within 'trade and other payables') is recognised for expected retrospective discounts payable to customers in relation to the period up to the end of the reporting date.

A provision (included in trade receivables) is recognised for credits expected to be raised to the extent that the Group's performance obligations have not been fully met. Accumulated experience is used to estimate such credit notes using the expected value method.

Notes to the financial statements for the period ended 30 June 2023 (continued)

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition comprises the fair value of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the company, fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed to the statement of comprehensive income as incurred.

Goodwill and intangible assets

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 any accumulated impairment losses.

The excess of consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

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 principle useful economic lives of the assets are:

Customer contracts - 10 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.

Property, plant and equipment

Property, plant and equipment 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 asset on a straight-line basis over its expected useful economic life.

Notes to the financial statements for the period ended 30 June 2023 (continued)

The principal depreciable lives of asset are:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate.

Leases

The Group leases various properties and vehicles. Accounting policies adopted in respect of these are presented in note 16.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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 higher 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.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see 'Trade and other receivables' section below).

Inventories

Inventories 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.

At each balance sheet date, inventories are assessed for impairment. If the value of any part of the inventory is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in profit or loss.

Notes to the financial statements for the year ended 30 June 2023 (continued)

Trade and other receivables

Trade receivables are initially measured at fair value, being the original transaction price, and subsequently measured at amortised costs less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The impact of the coronavirus pandemic has been considered and incorporated into the forward-looking information used in calculating the expected credit losses.

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 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 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 Statement of comprehensive Income.

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. Finance income is recognised using the effective interest method in the Statement of comprehensive income.

Notes to the financial statements for the period ended 30 June 2023 (continued)

Financial instruments (continued)

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.

Payables

Trade and other payables of a short-term nature 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.

Foreign currency translation

The Group'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 the end of each financial year, 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income 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 statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

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.

Notes to the financial statements for the period ended 30 June 2023 (continued)

Pensions (continued)

Defined benefit pension scheme

The Company operates a defined benefit scheme which is closed to new members. For defined benefit schemes, assets are measured using closing market values. Where the asset is an insurance buy-in policy that provides annuity income to cover pensions payable to members are valued on a projection method basis, which is calculated as the initial premium, less cash drawdowns that have taken place since the insurer took on the responsibility for meeting the payments plus interest accrued on the remaining liability, adjusted for changing market conditions.

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.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position.

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 Group operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

Share-based payments

The ultimate parent company, The Bidvest Group Limited, operates an equity-settled share-based compensation plan, under which the company receives services from employees as consideration for equity instruments of the ultimate parent company. The awards are granted by The Bidvest Group Limited and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. In addition, in some circumstances, employees might provide services in advance of the grant date and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company is recharged the options' original fair value as of the grant date from The Bidvest Group Limited. This recharge is accounted for as a deduction from equity.

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 and Company make 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:

Critical judgements in applying the Group's and Company's accounting policies

The Directors do not consider any individual judgements to be critical to the preparation of these financial statements.

Notes to the financial statements
for the period ended 30 June 2023 (continued)

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Key accounting estimates and assumptions

Property provisions
Provision is made for property dilapidation. 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 bad and doubtful debts and credit notes
Provision is included in the trade receivables balance based on an expected credit loss model which uses a lifetime expected loss allowance for all receivables. The provision is measured as detailed in note 2 above.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

A 1% increase or decrease in the rates of credit losses used in the Company's credit loss model would cause a corresponding increase or decrease in the required provision of by £963,000 (2022: £877,000).

Lease accounting
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for property leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The Group used an incremental borrowing rate of 6.55%. For additions in the year, a 100-basis point increase/(decrease) in the rate would cause the lease liabilities to (reduce)/increase by (£22,000)/£22,000 (2022: (£430,000)/£395,000) respectively and a corresponding (decrease)/increase in the right-of-use assets by the same amount.

Notes to the financial statements for the period ended 30 June 2023 (continued)

4. Revenue

An analysis of the Group's revenue by class is as follows:	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Hygiene	**265,541**	237,193
Specialist	**68,576**	65,525
	334,117	302,718

An analysis of the Group's turnover by type is as follows:	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Contractual	**233,482**	220,054
Non-contractual	**100,635**	82,664
	334,117	302,718

Turnover and operating profit are earned and sourced, and net assets located, in Europe.

5. Net operating expense (including exceptional items)

Group	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Increase / (Decrease) in inventory	**200**	(917)
Own work capitalised	**(2,904)**	(3,062)
Raw materials and consumables	**49,597**	36,183
Employee costs (note 8)	**120,498**	109,876
Depreciation	**29,622**	26,413
(Reversal of impairment) / Impairment of receivables	**(1,886)**	3,082
Reversal of impairment of financial and contract assets	**-**	(31)
Reversal of impairment of right-of-use assets	**-**	(151)
Other external charges	**86,126**	79,580
	281,253	250,973

Notes to the financial statements for the period ended 30 June 2023 (continued)

6. Operating profit

Group

Operating profit is stated after charging / (crediting):	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Depreciation charge on right-of-use assets	**11,695**	10,487
Depreciation charge on property, plant and equipment	**17,927**	15,775
Reversal of impairment of right-of-use assets	**-**	(151)
Amortisation of intangibles	**335**	54
(Reversal of impairment) / Impairment of trade receivables	**(1,886)**	3,082
Reversal of impairment of financial and contract assets	**-**	(31)
Exceptional items	**(82)**	614
Inventory recognised as an expense	**39,556**	26,224
Short-term and low value leases	**1,615**	1,344

7. Auditors' remuneration

Group	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Fees payable to the Group's auditors and their associates for the audit of the Group's annual financial statements	**34**	27
Fees payable to the Group's auditors and their associates in respect of:		
The audit of the Group's subsidiaries	**196**	155
	230	182

8. Employees

Group

Staff costs, including Directors' remuneration, for the Group were as follows:	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Wages and salaries	**102,411**	93,579
Social security costs	**12,215**	11,066
Other pension costs	**5,271**	4,724
Share-based payments	**601**	507
	120,498	109,876

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

Notes to the financial statements for the period ended 30 June 2023 (continued)

8. Employees (continued)

	Year ended 30 June 2023 No.	Year ended 30 June 2022 No.
Administration	**701**	687
Sales	**409**	424
Service	**2,215**	2,165
	3,325	3,276

Company
The Company had no employees during the year or the prior period other than the Directors.

Share-based payments

A conditional right to a share is awarded to certain group employees subject to performance and vesting conditions. The vesting period is as follows: 75% of total number of awards vest at the expiry of three years and 25% of total number of awards vest at the expiry of four years from the date of the award, unless otherwise determined by the board. These share awards do not carry voting rights attributable to ordinary shareholders.

The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award less discounted anticipated future distribution flows. A total number of 326,477 (2022: 246,032) of the 351,050 (2022: 264,550) shares are expected to vest, taking into account the performance of the Group to date and forecasts to the end of the performance period, against the targets set at the time of the award. The average discounted share price used in the calculation of the share-based payment charge on the conditional share awards allotted during the year is R181.44 (2022: R171.51) per share. 34,500 (2022: 41,000) conditional share awards were forfeited as a result of resignation.

The number of conditional share awards in terms of the conditional share plan are:

Group	**Year ended 30 June 2023 Number**	Year ended 30 June 2022 Number
Beginning of the year	**264,550**	171,050
Allotted during the year	**121,000**	134,500
Forfeited during the year	**(34,500)**	(41,000)
End of the year	**351,050**	264,550

9. Directors' remuneration

Group	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Aggregate emoluments	**1,401**	1,346
Company contributions to defined contribution pension schemes	**5**	11
	1,406	1,357

Notes to the financial statements for the period ended 30 June 2023 (continued)

9. Directors' remuneration (continued)

During the year post-employment benefits were accruing to 1 Director (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £734,000 (2022: £703,000).

No contributions were paid by the Company to defined contribution pension schemes in respect of the highest paid Director during the year (2022: £nil).

No Directors exercised share options during the year (2022: nil).

The emoluments T G Scruse and A Fainman are borne by a parent company, Bidvest Services (Pty) Limited which make no recharge to the Company (2022: £nil). T G Scruse and A Fainman served as directors of Bidvest Services (Pty) Limited during the year and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments for each of the subsidiaries.

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

10. Exceptional items

In the current year, exceptional items include fees incurred in relation to acquisitions (£291,000) and internal restructuring exceptional items (totalling £141,000) partially offset by credits associated with onerous properties (£514,000).

In the prior period, exceptional items include fees incurred in relation to acquisitions (£486,000) and internal restructuring exceptional items (totalling £234,000) and other smaller internal restructuring exceptional items (totalling £24,000) partially offset by credits associated with onerous properties (£130,000).

11. 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 £253,000 (2022: £7,577,000 profit).

12. Finance income

Group	**Year ended 30 June 2023 £'000**	Year ended 30 June 2022 £'000
Other interest receivable	**540**	6,620
	540	6,620

Other interest receivable includes £22,000 (2022: £6,597,000) in respect of foreign exchange differences arising on financing activities.

Notes to the financial statements for the period ended 30 June 2023 (continued)

13. Finance costs

Group	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Bank loans	**185**	144
Loans from group undertakings	**12,358**	13,121
Lease liabilities	**2,368**	1,905
Other interest payable	**6**	105
	14,917	15,275

14. Tax on profit

Group	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Corporation tax		
Current tax on UK profits for the year	**2,674**	106
Group relief	**83**	(252)
Adjustments in respect of prior years	**(416)**	(3,304)
Overseas tax	**90**	32
Total current tax	**2,431**	(3,418)
Deferred tax		
UK in respect of the current year	**3,204**	4,510
Adjustments in respect of prior years	**(413)**	(1,395)
Effect of change in tax rate	**(199)**	(272)
Overseas tax	**(9)**	28
Total deferred tax	**2,583**	2,871
Taxation on profit	**5,014**	(547)

Notes to the financial statements for the period ended 30 June 2023 (continued)

14. Tax on profit (continued)

Factors affecting the tax charge / (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:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Profit before taxation	**38,487**	43,090
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20.5% (2022: 19%)	**7,890**	8,187
Effects of:		
Adjustments in respect of prior periods	**(829)**	(4,699)
Income not subject to tax	**(227)**	(3,826)
Expenses not deductible for tax purposes	**842**	-
Transfer pricing adjustments	**(2,462)**	-
Effect of change in tax rate	**(199)**	(271)
Different tax rates on overseas profits	**(1)**	62
Total tax charge / (credit) for the year	**5,014**	(547)

Factors that may affect future tax charges

A change to the main UK corporation tax rate was included in the Finance Bill 2021, which had its third reading on 24 May 2021, and is now considered substantively enacted for UK GAAP purposes. The rate applicable from 1 April 2020 to 31 March 2023 remained at 19% but the rate from 1 April 2023 increased to 25%. Income taxes in the income statement are measured at 20.5% (blended average) and deferred taxes at the balance sheet date are measured at 25%, where applicable. Deferred taxes at the reporting date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements
for the year ended 30 June 2023 (continued)

15. Property, plant and equipment

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 July 2021	388	4,123	82,061	54,218	1,386	142,176
Additions	3	758	15,051	4,352	202	20,366
Acquisition of subsidiary	-	-	-	1,339	-	1,339
Disposals	-	-	(11,999)	(23,719)	-	(35,718)
Transfer between asset categories	-	-	(142)	142	-	-
Foreign exchange movements	-	-	9	9	-	18
At 30 June 2022	391	4,881	84,980	36,341	1,588	128,181
Additions	-	300	15,590	3,201	88	19,179
Adjustment in respect of prior year acquisitions	-	-	-	(324)	-	(324)
Disposals	-	-	(10,643)	(3,448)	-	(14,091)
Foreign exchange movements	-	-	(10)	(5)	-	(15)
At 30 June 2023	**391**	**5,181**	**89,917**	**35,765**	**1,676**	**132,930**
Accumulated depreciation						
At 1 July 2021	109	2,306	51,490	47,156	712	101,773
Charge for year	7	397	12,376	2,886	260	15,926
Disposals	-	-	(11,684)	(23,693)	-	(35,377)
Transfer between asset categories	-	-	(14)	14	-	-
Foreign exchange movements	-	-	9	3	-	12
At 30 June 2022	116	2,703	52,177	26,366	972	82,334
Charge for period	7	424	13,443	3,780	273	17,927
Disposals	-	-	(10,427)	(3,448)	-	(13,875)
Foreign exchange movements	-	-	(8)	(3)	-	(11)
At 30 June 2023	**123**	**3,127**	**55,185**	**26,695**	**1,245**	**86,375**
Net book value						
At 30 June 2023	**268**	**2,054**	**34,732**	**9,070**	**431**	**46,555**
At 30 June 2022	275	2,178	32,803	9,975	616	45,847

Notes to the financial statements for the year ended 30 June 2023 (continued)

16. Leases

The Group leases various properties and vehicles. Rental contracts are typically made for fixed periods of 5 to 15 years for property and 4 to 5 years for vehicles but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for property leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment. Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

Notes to the financial statements for the year ended 30 June 2023 (continued)

16. Leases (continued)

The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to right-of-use assets and lease liabilities:

Right-of-use assets	Properties £'000	Vehicles £'000	**Total £'000**
Cost			
At 1 July 2021	30,983	32,479	63,462
Additions	-	14,048	14,048
Acquisition of subsidiary	1,585	284	1,869
Modification to lease term	2,776	-	2,776
Disposals	(285)	(4,833)	(5,118)
Foreign exchange movements	1	8	9
At 30 June 2022	35,060	41,986	77,046
Additions	-	8,187	8,187
Adjustments in respect of prior year acquisitions	3	-	3
Acquisition of subsidiary	70	69	139
Modification to lease term	349	-	349
Disposals	(787)	(5,144)	(5,931)
Foreign exchange movements	3	(4)	(1)
At 30 June 2023	**34,698**	**45,094**	**79,792**
Accumulated depreciation			
At 1 July 2021	12,421	17,672	30,093
Reversal of impairment charge	(151)	-	(151)
Charge for year	3,492	6,995	10,487
Modification to lease term	(78)	-	(78)
Disposals	(281)	(4,833)	(5,114)
Foreign exchange movements	2	4	6
At 30 June 2022	15,405	19,838	35,243
Charge for year	3,900	7,795	11,695
Modification to lease term	-	32	32
Disposals	(438)	(5,144)	(5,582)
Foreign exchange movements	(4)	(2)	(6)
At 30 June 2023	**18,863**	**22,519**	**41,382**
Net book value			
At 30 June 2023	**15,835**	**22,575**	**38,410**
At 30 June 2022	19,655	22,148	41,803

Notes to the financial statements for the year ended 30 June 2023 (continued)

16. Leases (continued)

	2023 £'000	2022 £'000
Lease liabilities		
Current	**10,657**	11,044
Non-current	**22,460**	26,129
	33,117	37,173

The impairment charge in the prior year wholly relates to a small number of the Group's properties that are not being used in its future activities following a significant operational restructuring in the year. The right-of-use assets related to each of these properties have been fully impaired to reflect that fact that will offer no contribution to the Group's future cash inflows.

Impairment charges were reversed during the prior year to the extent that the Group's properties will be used in its future activities.

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Depreciation charge of right-of-use assets		
Properties	**3,900**	3,492
Vehicles	**7,795**	6,995
	11,695	10,487
Short-term and low value leases	**1,615**	1,344
Reversal of impairment charge	-	(151)
Interest expense	**2,368**	1,905

The total cash outflow for leases in 2023 was £14,956,000 (2022: £13,775,000).

The total cash inflow for property rents receivable was £435,000 (2022: £353,000).

17. Investments

Company

	£'000
Cost and net book value	
30 June 2022 and 30 June 2023	**219,505**

Notes to the financial statements for the year ended 30 June 2023 (continued)

18. Intangible assets

	Goodwill £'000	Customer contracts £'000	Total £'000
Cost			
At 1 July 2021	356,306	544	356,850
Acquisition of subsidiary	13,682	2,808	16,490
At 30 June 2022	369,988	3,352	373,340
Adjustments in respect of prior year acquisitions	480	-	480
Acquisition of subsidiary (note 19)	1,542	-	1,542
At 30 June 2023	372,010	3,352	375,362
Accumulated amortisation			
At 1 July 2021	-	25	25
Charge for the period	-	54	54
At 30 June 2022	-	79	79
Charge for the year	-	335	335
At 30 June 2023	**-**	**414**	**414**
Net book value			
At 30 June 2023	**372,010**	**2,938**	**374,948**
At 30 June 2022	369,988	3,273	373,261

During the year, an additional £170,000 consideration was made in relation to prior year acquisitions. In addition, adjustments totalling £310,000 were made to the provisional values booked in relation the acquisition of Dartry Laundry Limited in the prior year.

Impairment tests for cash-generating units containing goodwill

The Group considers its operations to comprise a single cash generating unit, which recoverable amount is estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets approved by management covering a one-year period. A terminal value has been included based on normalised year 1 cash flows, an annual growth rate in perpetuity of 1.77% and a post-tax weighted average cost of capital of 7.9% per annum which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. Based on the reviews as described above there is sufficient headroom in respect of recoverable amount and, therefore, no impairment has arisen.

Other factors remaining equal, the following sensitivities would give rise to an impairment:

- increase of 12.6% in the discount rate;
- decrease of 9.0% in the growth rate;
- reduction in year 1 cash flows by 61.5% of the value.

Notes to the financial statements for the year ended 30 June 2023 (continued)

19. Business combinations

In October 2023, the Group completed the acquisition of a 100% of the issued share capital of Servicios Antiplagas, Higiene Y Control Ambiental S.A.U. The acquired company is predominantly a Hygiene business and was acquired to strengthen the group's Hygiene operations in Spain. Details of acquired net assets and provisional fair value adjustments are set out below:

Group	Book value	Fair value adjustments	**Fair value**
	£'000	£'000	**£'000**
Net assets acquired			
Right-of-use assets	139	-	**139**
Inventories	15	-	**15**
Trade and other receivables	345	-	**345**
Cash and cash equivalents	86	-	**86**
Trade and other payables	(107)	-	**(107)**
Provision for taxation	(10)	-	**(10)**
Lease liabilities	(139)	-	**(139)**
Net identifiable assets acquired	**329**	-	**329**
Goodwill	**1,542**	-	**1,542**
Total consideration	**1,871**	-	**1,871**
Satisfised by:			
Cash consideration	**1,871**	-	**1,871**

The goodwill is attributable to the workforce and the high profitability of the acquired businesses. It will not be deductible for tax purposes.

<u>Revenue and profit contribution</u>

The acquired businesses contributed revenues of £788,000 and net profit of £128,000 to the group for the period from October 2022 to 30 June 2023.

If the acquisition had occurred on 1 July 2022, consolidated pro-forma revenue and profit for the year ended 30 June 2023 would have been £1,051,000 and £171,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary.

<u>Fair Value adjustments in relation to prior year acquisitions</u>

During the year, fair value adjustments totalling £310,000 were made to the provisional values booked in relation the acquisition of Dartry Laundry Limited in the prior year.

Notes to the financial statements for the year ended 30 June 2023 (continued)

19. Business combinations (continued)

Purchase consideration – cash outflow

	2023	2022
Outflow of cash to acquire subsidiary, net of cash acquired	£'000	£'000
Cash consideration	1,871	19,699
Less: balances acquired		
Cash	(86)	(2,926)
Net outflow of cash – investing activities	1,785	16,773

Acquisition-related costs of £291,000 that were not directly attributable to the issue of shares are included in administrative expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

20. Inventories

Group	2023	2022
	£'000	£'000
Raw materials and consumables	332	1,144
Finished goods and goods for resale	8,416	7,569
	8,748	8,713

21. Trade and other receivables

Group	2023	2022
	£'000	£'000
Trade receivables	73,305	63,939
Contract assets	9,460	9,777
Inter-group receivables	907	907
Other debtors and prepayments	8,652	8,542
	92,324	83,165

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Contract assets comprise revenue earned but where the customer invoice has yet to be generated at which point it becomes a trade receivable.

Notes to the financial statements for the year ended 30 June 2023 (continued)

21. Trade and other receivables (continued)

The Group applies the IFRS 9 simplified approach to measure expected credit losses for trade receivables at an amount equal to the lifetime expected credit losses. The expected credit losses on trade receivables are calculated based on actual credit loss experience over the preceding two to four years on the total balance of non-credit impaired trade receivables. The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as significant financial difficulty of the customer or if it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

The expected loss rates are based on the payment profiles of sales over a period of 2 years prior to 30 June 2023 and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The carrying amount of financial assets represents the maximum credit exposure.

Customer credit risk is managed by each business unit subject to the Group's established policies, procedures and controls. Outstanding receivables are regularly monitored at appropriate levels of senior management. Due to the characteristics of the business and large number of customers. there is no single customer with an individually material receivable balance.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

At 30 June 2023		**Trade receivables – past days due**					
	Contract assets £'000	**Current £'000**	**<30 days £'000**	**30-60 days £'000**	**61-90 days £'000**	**>90 days £'000**	**Total £'000**
Expected credit loss rate	**3.5%**	**3.9%**	**4.1%**	**4.6%**	**9.1%**	**39.4%**	**12.5%**
Gross carrying value	**9,805**	**40,139**	**13,122**	**6,732**	**3,699**	**22,772**	**96,269**
Expected credit loss	**(345)**	**(1,560)**	**(538)**	**(313)**	**(335)**	**(8,979)**	**(12,070)**

At 30 June 2022		Trade receivables – past days due					
	Contract assets £'000	Current £'000	<30 days £'000	30-60 days £'000	61-90 days £'000	>90 days £'000	Total £'000
Expected credit loss rate	8.2%	6.8%	7.3%	8.3%	13.0%	49.5%	16.0%
Gross carrying value	10,652	35,276	14,770	5,885	3,302	17,785	87,670
Expected credit loss	(875)	(2,385)	(1,079)	(490)	(428)	(8,803)	(14,060)

Notes to the financial statements for the year ended 30 June 2023 (continued)

21. Trade and other receivables (continued)

Set out below is the movement in the expected credit losses of trade receivables and contract assets:

Group	2023	2022
	£'000	£'000
At beginning of period	**14,060**	12,730
Acquisitions	**37**	417
(Reversal of provision) / Provision for expected credit losses	**(1,957)**	3,051
Amounts written-off	**(62)**	(2,133)
Foreign exchange	**(8)**	(5)
At end of period	**12,070**	14,060

Inter-group receivables and payables are unsecured, have no fixed date of repayment and are repayable on demand. Amounts owed to Bidvest Services (UK) Limited for settlement of debt at the point of acquisition are interest free.

Trade and other receivables arising in the Company are wholly in respect of inter-group receivables.

22. Cash and cash equivalents

Cash at bank and in hand	2023	2022
	£'000	£'000
Group	**71,827**	46,229
Company	**1**	18,001

Cash and cash equivalents in the balance sheet comprise cash in bank and in hand. The Group has no short-term deposits or bank overdrafts.

23. Trade and other payables

Group	2023	2022
	£'000	£'000
Trade payables	**20,644**	18,557
Contract liabilities	**48,737**	45,489
Inter-group payables	**241,239**	253,382
Other tax and social security	**11,294**	8,917
Other creditors and accruals	**52,522**	47,490
	374,436	373,835

Notes to the financial statements for the year ended 30 June 2023 (continued)

23. Trade and other payables (continued)

The movement in contract liabilities is set out below. The amount shown as released to revenue in the period is the revenue recognised that was included as a contract liability at the beginning of the period.

	2023	2022
	£'000	£'000
At the beginning of the period	**45,489**	41,599
Released to revenue in the period	**(45,489)**	(41,599)

Trade payables represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Inter-group receivables and payables are unsecured, have no fixed date of repayment and are repayable on demand. Amounts owed to Bidvest Services (UK) Limited for settlement of debt at the point of acquisition are interest free. For all other amounts owed to group undertakings, no interest is charged. In the prior year, an interest rate of 5% was charged on non-trading balances with group undertakings that were not dormant.

Trade and other payables arising in the Company are wholly in respect of inter-group payables.

24. Inter-group loans

Group	**2023**	2022
	£'000	£'000
The Bidvest Group (UK) plc	**268,000**	268,000
	268,000	268,000

During the prior year, the Group received a loan note of £268,000,000 from The Bidvest Group (UK) plc with interest payable at a floating rate which was 4.75% at 30 June 2023 (2022: 4.3%). The principal amount is due to be repaid in full in September 2026.

Notes to the financial statements for the year ended 30 June 2023 (continued)

25. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks including interest rate risk, foreign currency risk, liquidity risk and credit risk. These financial risks are managed under policies approved by the board of Directors. On an ongoing basis, management actively monitors market conditions with a view to minimising the exposure of the Group to changing market factors while at the same time limiting the funding costs of the company.

Group	2023 £'000	2022 £'000
Financial assets		
Measured at amortised cost		
Cash at bank and in hand	**71,827**	46,229
Trade receivables (note 21)	**73,305**	63,939
Inter-group receivables	**907**	907
Total financial assets	**146,039**	111,075

Group	2023 £'000	2022 £'000
Financial liabilities		
Current loans and borrowings measured at amortised cost		
Lease liabilities (note 16)	**(10,657)**	(11,044)
	(10,657)	(11,044)
Current other financial liabilities at amortised cost		
Trade and other payables (note 23)	**(314,405)**	(319,429)
	(314,405)	(319,429)
Total current financial liabilities	**(325,062)**	(330,473)
Non-current loans and borrowings measured at amortised cost		
Lease liabilities (note 16)	**(22,460)**	(26,129)
Inter-group payables	**(268,000)**	(268,000)
Total non-current financial liabilities	**(290,460)**	(294,129)
Total financial liabilities	**(615,522)**	(624,602)

Management has determined that there is no significant difference between the carrying values shown above and their fair values.

Credit facilities
At 30 June 2023, the Group had a £10,000,000 (2022: £10,000,000) guarantee facility with interest charged on utilised balances at 3.5%. At 30 June 2023, the Group was utilising £5,707,000 (2022: £6,600,000) of the guarantee facility.

Hedging

There was no hedge in place at 30 June 2023 or 30 June 2022.

Notes to the financial statements for the year ended 30 June 2023 (continued)

25. Financial assets and Liabilities (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk for the company arises in relation to trade receivables and bank deposits. The company aims to minimise the credit risk through the application of risk management policies.

Information on how management controls credit risk in relation to trade receivables is provided in note 21.

The risk in relation to cash is managed by the Group only placing deposits with highly rated financial institutions and so does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems.

Effective working capital management forms an important part of maximising the amount of internally generated cash available. Control of trade receivables 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. The Group regularly reviews 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.

The Group's financial liabilities are analysed into relevant maturity groupings based on their contractual maturities below:

Group At 30 June 2023	Less than 6 months £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	**Total cash flows £'000**	**Carrying value £'000**
Trade and other payables	314,405	-	-	-	-	**314,405**	**314,405**
Lease liabilities (note 16)	7,056	6,774	11,882	22,068	17,783	**65,563**	**33,117**
Inter-group payables	-	-	-	268,000	-	**268,000**	**268,000**
	321,461	**6,774**	**11,882**	**290,068**	**17,783**	**647,968**	**615,522**

Group At 30 June 2022	Less than 6 months £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total cash flows £'000	Carrying value £'000
Trade and other payables	319,429	-	-	-	-	319,429	319,429
Lease liabilities (note 16)	6,993	6,754	11,893	23,974	22,168	71,782	37,173
Inter-group payables	-	-	-	268,000	-	268,000	268,000
	326,422	6,754	11,893	291,974	22,168	659,211	624,602

Notes to the financial statements for the year ended 30 June 2023 (continued)

25. Financial assets and Liabilities (continued)

Currency risk

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's exposure to foreign currency risk at the end of the reporting period is set out below:

	At 30 June 2023		At 30 June 2022	
	EUR'000	USD'000	EUR'000	USD'000
Cash at bank and in hand	**4,882**	**101**	8,335	384
Trade receivables	**9,365**	**-**	6,839	-
Trade and other payables	**(7,827)**	**(26)**	(7,728)	(32)
Lease liabilities	**(1,754)**	**-**	(2,121)	-
	4,666	**75**	5,325	352

Sensitivity

The group is primarily exposed to changes in the EUR/GBP exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denomination financial instruments and the impact on other components of equity arises from the groups operations in Spain and Ireland.

The table below shows the sensitivity of the groups foreign exchange risk to a 1% increase in the exchange rate of the relevant currency:

	Impact on post-tax profit		Impact on other components of equity	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
EUR/GBP exchange rate	**5**	1	**28**	43
USD/GBP exchange rate	**-**	2	**-**	-

Interest rate risk

The Group's exposure to market risk for changes in interest rates arises from its cash and cash equivalents where a reduction in interest rates on deposits will reduce reported income from interest earned on deposit. The risks associated with interest rate changes having a significant impact on the Group's results or financial position are assessed 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.

Capital management

The Group manages capital to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders. The Group's capital comprises only ordinary shares as set out in note 28 and other reserves as set out in note 29. Any decision to amend the capital base beyond the results of the business as reported in the Statement of comprehensive income would be at the discretion of the Board and the parent company depending on the circumstances at that time.

Notes to the financial statements for the year ended 30 June 2023 (continued)

26. Deferred taxation

The deferred tax asset is made up as follows:

Group	Accelerated capital allowances £'000	Short-term timing differences £'000	Total £'000
At 1 July 2021	4,346	313	**4,659**
(Charged)/Credited to the Statement of comprehensive income	(3,006)	168	**(2,838)**
Acquisition of subsidiary	(298)	-	**(298)**
At 30 June 2022	1,042	481	**1,523**
Reclassified to liabilities	(1,042)	(481)	**(1,523)**
At 30 June 2023	-	-	-

The deferred tax liability is made up as follows:

Group	Relating to intangible assets £'000	Accelerated capital allowances £'000	Short-term timing differences £'000	Total £'000
At 1 July 2021	-	-	-	-
Acquisition of subsidiary	(702)	-	-	(702)
At 30 June 2022	(702)	-	-	**(702)**
(Charged) / Credited to the Income statement	-	(2,602)	307	(2,295)
Previously recognised in assets	-	1,042	481	1,523
At 30 June 2023	**(702)**	**(1,560)**	**788**	**(1,474)**

27. Provisions for liabilities

	Property £'000	Vehicle £'000	Fuel £'000	Re-organisation £'000	Total £'000
At 1 July 2021	9,535	2,028	174	227	**11,964**
(Credited) / Charged to the profit or loss	(24)	540	-	-	**516**
Utilised in the period	(518)	(183)	(174)	(107)	**(982)**
Unwind of discount	105	-	-	-	**105**
Acquisition of subsidiary	556	-	-	-	**556**
At 30 June 2022	9,654	2,385	-	120	**12,159**
(Credited) / Charged to the profit or loss	(466)	451	-	-	**(15)**
Utilised in the period	(123)	(204)	-	(76)	**(403)**
Unwind of discount	6	-	-	-	**6**
At 30 June 2023	**9,071**	**2,632**	**-**	**44**	**11,747**

Notes to the financial statements for the year ended 30 June 2023 (continued)

27. Provisions for liabilities (continued)

Provisions are split as follows:	**2023**	2022
	£'000	£'000
Current	**2,643**	298
Non-current	**9,104**	11,861
	11,747	12,159

Property provisions
Property provisions include onerous lease provisions in respect of unutilised space and vacant properties within the Company's leased premises portfolio and property dilapidation obligations on various leased premises across the Company. Onerous provisions are based on the best estimate of the outcome of negotiations and commitments to service charges, security and insurance costs on the onerous property. The dilapidations provisions are subject to uncertainty in respect of the final negotiated settlement of any dilapidation claims with landlords.

Vehicle provisions
Vehicle provisions consist of estimates of the repair costs required on the Company's fleet of vehicles at the end on their lease terms. The estimates have been calculated based on past experience.

28. Called up share capital

Shares classified as equity	**2023**	2022
	£'000	£'000
Allotted, called up and fully paid		
9,115,906 (2022: 9,115,906) ordinary shares of £0.001 each	9	9
7,177 (2022: 7,177) A ordinary shares of £0.001 each	-	-
1,472,311 (2022: 1,472,311) deferred shares of £0.001 each	2	2
	11	**11**

Each ordinary share has full rights in the Company with respect to voting and are redeemable at the option of the holder or the Company. A ordinary shares do not carry any voting rights and are not redeemable. Deferred shares do not carry any voting or dividend rights and are not redeemable.

29. Reserves

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

Share-based payment reserves
Certain group employees have been conditionally granted shares in The Bidvest Group Limited subject to certain performance conditions being satisfied over a three-year performance period.

The group recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit in a share-based payment reserve.

On vesting of the awards, the group is charged the intrinsic value of the shares by The Bidvest Group Limited. This amount is treated as a reduction of the share-based payment reserve, and it is recognised directly in equity.

See note 8 for further details on share-based payments.

Notes to the financial statements for the year ended 30 June 2023 (continued)

29. Reserves (continued)

Retained earnings / (Accumulated losses)
Retained earnings / (Accumulated losses) comprises the accumulated profits, losses and distributions of the Company.

30. Post-employment benefits

The Group operates a defined contribution scheme for eligible employees. Contributions by the Group are charged to the Income statement as incurred. The total pensions cost for the period is shown in note 8. Contributions totalling £638,000 (2022: £599,000) 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 2022 indicated that the technical provisions exceeded the assets by £513,000.

The assumptions used in the valuation at 1 May 2022 are set out below:

Solvency Assumption	**1 May 2022**
Discount rate for deferred pensioners	Moody's Swap curve minus 0.15% pa
Discount rate for pensioners	Moody's Swap curve plus 0.20% pa
Price inflation - RPI	Moody's RPI swap curve
Price inflation – CPI	Pre 2030: RPI less 0.6% pa
	Post 2030: RPI less 0.1% pa
Mortality	
Base table	95% of S3PXA
Projection	CMI 2019
Long-term rate	1.75% pa
Initial addition	0.75%
GMP equalisation	4% of liabilities
Wind-up expenses	£200,000

The latest audited financial statements of the scheme are made up to 30 April 2022 at which date the scheme, which is contracted out of the state scheme, had net assets of £11,315,000 (30 April 2021: £12,588,000) for the combined defined benefit and defined contribution sections of the scheme.

The Company did not contribute to its Defined Benefit Pension Scheme during the current or prior period and does not expect to contribute next year as the deficit arising from the triennial valuation of the scheme has been brought into surplus.

Notes to the financial statements for the year ended 30 June 2023 (continued)

30. Post-employment benefits (continued)

The disclosures set out below are based on calculations carried out at 25 June 2023 by an independent qualified actuary. The results of the calculations and the assumptions adopted are shown below.

Composition of plan assets:

	2023	2022
	£'000	£'000
Annuities	**7,095**	8,272
UK Government gilts	**7**	286
UK corporate bonds	-	156
Cash	-	36
Total plan assets	**7,102**	8,750

	2023	2022
	£'000	£'000
Fair value of plan assets	**7,102**	8,750
Present value of plan liabilities	**(7,102)**	(8,750)
Defined benefit asset	-	-
Effect of asset ceiling limit	-	-
Net pension scheme assets	-	-

Asset ceiling reconciliation:

	2023	2022
	£'000	£'000
Opening balance	-	1,678
Changes in asset ceiling (interest effect)	-	30
Changes in asset ceiling (remeasurement)	-	(1,708)
Closing balance	-	-

Reconciliation of fair value of plan liabilities were as follows:

	2023	2022
	£'000	£'000
Opening defined benefit obligation	**8,750**	11,013
Interest costs	**313**	188
Remeasurement (gains)/losses:		
Financial assumptions	**(1,397)**	(2,211)
Demographic assumptions	-	263
Experience	**42**	-
Benefits paid	**(606)**	(503)
Closing defined benefit obligation	**7,102**	8,750

Notes to the financial statements for the year ended 30 June 2023 (continued)

30. Post-employment benefits (continued)

Reconciliation of fair value of plan assets were as follows:

	2023	2022
	£'000	£'000
Opening fair value of scheme assets	**8,750**	12,691
Interest income on plan assets	**305**	216
Remeasurement losses:		
Return on scheme assets excluding interest income	**(1,089)**	(3,503)
Benefits paid including expenses	**(864)**	(654)
Closing fair value of scheme assets	**7,102**	8,750

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2023	2022
	% per annum	% per annum
Discount rate	**5.40**	3.70
Aggregate long-term rate of return on assets (net of expenses)	**5.40**	3.70
Retail Prices Index (RPI) Inflation	**3.55**	3.80
Consumer Prices Index (CPI) Inflation	**3.05**	3.30
Future increases in deferred pensions	**3.05**	3.30
Mortality rates		
- for a male member aged 65 now	**22.50**	22.40
- at 65 for a male member aged 45 now	**23.80**	23.70
- for a female member aged 65 now	**24.80**	24.70
- at 65 for a female member aged 45 now	**26.20**	26.20

Sensitivity analysis

As a result of the whole plan buy-in, the funding is no longer sensitive to changes in the assumptions used. The value of the bulk annuity asset will equal the value of the liabilities measured on any basis.

31. Other financial commitments

The Group had no capital commitments at 30 June 2023 (2022: £nil).

Notes to the financial statements for the year ended 30 June 2023 (continued)

32. Group membership and related parties

The immediate parent company is Bidvest Services (UK) Limited, an undertaking incorporated in the United Kingdom. The ultimate parent undertaking and controlling party is The Bidvest Group Limited, an undertaking incorporated and operating in the Republic of South Africa.

The parent company of the largest group to consolidate these financial statements is The Bidvest Group Limited and their financial statements may be obtained from the group's offices at Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, Johannesburg, 2196, South Africa.

The Group had the following inter-group receivables / (payables) with fellow group companies not included in this consolidation at the respective reporting dates:

Group	**2023**	2022
	£'000	£'000
Outstanding balances arising from purchases of services:		
Bidvest Properties (UK) Limited	-	(172)
Loans to / (from) fellow group companies:		
Bidvest Noonan (ROI) Limited	**907**	907
Bidvest Services (UK) Limited	**(240,193)**	(252,263)
The Bidvest Group (UK) plc	**(269,046)**	(268,947)

The following transactions occurred with related parties:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Dividends paid to UK parent entity:		
Bidvest Services (UK) Limited	-	11,415
Interest payable:		
Bidvest Services (UK) Limited	-	7,414
Bidvest Treasury Services Pty Limited	-	129
The Bidvest Group (UK) Plc	**12,358**	5,578

Key management are deemed to be the Directors of the Company. Refer to note 9 for further disclosures of emoluments paid to Directors.

33. Reconciliation of liabilities arising from financing activities

	2022 £'000	Cash flows £'000	Non-cash changes £'000	**2023 £'000**
Loans from group undertakings:				
The Bidvest Group (UK) plc	268,947	(12,422)	12,521	**269,046**
Bidvest Services (UK) Limited	252,263	(12,341)	271	**240,193**
Lease liabilities	37,173	(14,956)	10,900	**33,117**
	558,383	(39,719)	23,692	**542,356**

34. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Direct subsidiary undertaking

The company owns directly 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
PHS Group 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 PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

Name	Principal activity
Clean Step Limited	Dormant
CLM Safety Limited*	Intermediate holding company
Dartry Laundry Limited*	Provision of laundry services
Environmental Waste Solutions UK Limited	Dormant
Environmental Waste Solutions UK (Holdings) Limited	Dormant
Epsilon Test Services Limited*	Intermediate holding company
Floor Protection Services Limited	Dormant (dissolved on 18 July 2023)
Griffin Environmental Services Limited	Dormant (dissolved on 18 July 2023)
H&A Waste Services Limited	Dormant (dissolved 5 September 2023)
Mayflower Hygiene Supplies (London) Limited*	Provision of workplace services
MC494 Limited	Dormant
Personnel Hygiene Services Limited	Provision of workplace services
PHS All Clear Limited	Dormant
PHS Compliance Limited*	Provision of workplace services
PHS FXCO1 Limited	Dormant
PHS FXCO2 Limited	Dormant
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
Rentacrate (UK) Limited	Dormant

Notes to the financial statements for the year ended 30 June 2023 (continued)

34. Subsidiary undertakings (continued)

Name	Principal activity
Scott-Law Archival and File Management Limited	Dormant
Teacrate Limited*	Intermediate holding company
Teacrate Rentals Limited*	Provision of workplace services
Tenberry Limited	Dormant
Urban Planters 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 (dissolved 13 February 2024)

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
Mayflower Hygiene Services (Ireland) Limited**	Provision of workplace services
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
PHS Serkonten, S.A.	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 Nave #5, Calle Carbó #2-4, Poligono Industrial Rui Clar, 43006 Tarragona.

Name	Principal Activity
Servicios Antiplagas, Higiene Y Control Ambiental S.A.U.	Provision of workplace services

Notes to the financial statements for the year ended 30 June 2023 (continued)

34. Subsidiary undertakings (continued)

*These subsidiaries are exempt from the requirement to file audited financial statements by virtue of section 479A of the Companies Act 2006. As part of this process, the company has provided statutory guarantees to these subsidiaries.

**The Irish subsidiaries, Mayflower Hygiene Services (Ireland) Limited and Karmarton Limited, is exempt from the requirement to file audited accounts by virtue of section 357 of Companies Act 2014. In adopting the exemption PHS Group Limited has provided a statutory guarantee to this subsidiary in accordance with section 357 of the Companies Act 2014.

35. Post balance sheet events

In October 2023, the Group acquired the entire share capital of Principal Hygiene Systems Limited for consideration of £2,461,000.

In February 2024, the Group also acquired the entire share capital of Synergy Waste Solutions Limited for consideration of £3,260,000.

The provisionally determined fair values of the assets and liabilities of Principal Hygiene Systems Limited and Synergy Waste Solutions Limited as at the date of acquisition are as follows:

Group	**Principal Hygiene Solutions Limited £'000**	**Synergy Waste Solutions Limited £'000**	**Total £'000**
Net assets acquired			
Tangible fixed assets	27	-	**27**
Trade and other receivables	227	266	**493**
Deferred taxation	39	-	**39**
Cash and cash equivalents	583	564	**1,147**
Trade and other payables	(281)	(410)	**(691)**
Provision for taxation	-	(58)	**(58)**
Net identifiable assets acquired	**595**	**362**	**957**
Goodwill	1,866	2,898	**4,764**
Total consideration	**2,461**	**3,260**	**5,721**
Satisfised by:			
Cash consideration	2,461	2,710	**5,171**
Deferred consideration	-	550	**550**
Total consideration	**2,461**	**3,260**	**5,721**

At the time when the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Synergy Waste Solutions Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally, because the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

36. Approval of financial statements

The Board of Directors approved these financial statements on 22 March 2024.