

**PHS Compliance Limited**

**Annual report  
for the year ended 30 June 2022**

Registered no: 03811260

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**phs** Group

# **PHS Compliance Limited**

## **Annual report for the year ended 30 June 2022**

	<b>Page</b>
Directors and advisors	1
Strategic report	2
Directors' <i>report</i>	4
Income statement	6
Statement of financial position	7
Statement of <i>changes in equity</i>	8
Notes to the financial statements	9

## Directors and advisors

### Directors

M E S Brabin  
C J Thomas

### Secretary and registered office

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

### Independent auditors

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

### Solicitors

Blake Morgan LLP  
One Central Square  
CARDIFF  
CF10 1FS

**Strategic report  
for the year ended 30 June 2022**

The Directors present their strategic report of the Company for the year ended 30 June 2022.

**Business overview**

*Financial review*

The Company has seen an increase in turnover of 20.8% to £30.8m (2021: £25.5m). EBITA before exceptional items increased by £0.3m to £2.7m (2021: £2.4m).

Exceptional costs, mainly associated with the internal restructuring of the business, of less than £0.1m (2021: less than £0.1m) were incurred in the year. The resulting operating profit was £2.7m (2021: £2.3m). After net finance expenses of less than £0.1m (2021: £0.6m net finance income) and a tax of charge less than £0.1m (2021: less than £0.1m) the profit for the financial period amounted to £2.6m (2021: £2.9m).

The net assets of the Company at 30 June 2022 totalled £7.2m (2021: £6.9m).

The Company is well placed to grow organically as the economy improves and demand strengthens. The Directors believe that the Company can continue to deliver healthy turnover, profits and operating cash inflow and look forward to the period ahead with confidence.

**Covid-19 pandemic and Global economic outlook**

The COVID-19 pandemic followed by the conflict in Ukraine and consequential impact on the global economy had an unprecedented impact on businesses and economic activity across the world. Almost every business has seen uncertainty. In common with other businesses, the company has gone through a pattern of assessing the impacts and establishing appropriate ways of working.

The uncertain global and UK economic outlook and high inflation rates present an ongoing challenge. The Company has taken action to control costs and ensure availability of supply through active engagement with suppliers and where possible passing on higher costs to our customers.

The Company will continue to support its customers, suppliers and colleagues as we have done throughout each phase of the pandemic to date.

**Principal risks and uncertainties**

The Company is managed as part of a group of companies whose parent company is PHS Bidco Limited, an undertaking incorporated in the United Kingdom and of which the Company is a wholly owned subsidiary.

The principal risks for the Company 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 Company 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 Company 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 Company 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.

The risks and uncertainties related to the Covid-19 pandemic are discussed above.

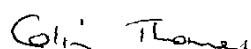
**Strategic report  
for the year ended 30 June 2022 (continued)****Key performance indicators**

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

	2022	2021	Change
<b>Financial KPIs</b>			
Change in turnover	+20.8%	+10.8%	n/a
EBITA before exceptional items	£2.7m	£2.4m	+14.5%

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

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

**Approved and signed on behalf of the Board**

**C J Thomas**  
**Director**  
**24 March 2023**

**Directors' report  
for the year ended 30 June 2022**

The Directors present their report and the unaudited financial statements for the year ended 30 June 2022.

**Principal activities**

The principal activity of the Company is the provision of testing, remedial and project management services in relation to electrical and similar equipment.

**Results and dividends**

The profit before dividends for the year amounted to £2.6m (2021: £2.9m).

The Directors do not recommend the payment of a final dividend for the year. Dividends of £2.3m were paid during the year (2021: £5.0m).

**Directors**

The directors who served during the year and up to the date of approval of the financial statements (unless otherwise stated) were:

M E S Brabin  
C J Thomas

**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 limited financial risks due to the uncomplicated nature of its operations, the most significant being the effective management of working capital to maximise the amount of cash generated and available for use to fund the further growth of the business.

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.

**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.

**Directors' report  
for the year ended 30 June 2022 (continued)****Going concern**

In determining whether the Company's financial statements can be prepared on a going concern basis, the Directors considered the Company's business activities together with factors likely to affect its performance and financial position. The factors included the likely impact of Covid-19.

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.

**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 period. Under that law the directors have prepared the 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

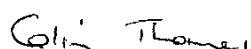
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**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 period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

**Approved and signed on behalf of the Board**

**C J Thomas**  
**Director**  
**24 March 2023**

**Income statement  
for the year ended 30 June 2022**

	Note	2022 £'000	2021 £'000
Turnover	4	<u>30,820</u>	<u>25,520</u>
Net operating expenses including exceptional items	5	(28,163)	(23,214)
<b>EBITA before exceptional items</b>		<b>2,736</b>	<b>2,390</b>
Amortisation		(42)	(18)
Exceptional costs	5	(37)	(66)
<b>Operating profit</b>	5	<b>2,657</b>	<b>2,306</b>
Interest receivable and similar income	7	-	690
Interest payable and similar expenses	8	<u>(33)</u>	<u>(103)</u>
<b>Profit before taxation</b>		<b>2,624</b>	<b>2,893</b>
Tax on profit	9	(3)	(2)
<b>Profit for the financial year</b>		<u><b>2,621</b></u>	<u><b>2,891</b></u>

All results are in respect of continuing operations.

There is no other comprehensive income for the current or prior year.



**Statement of financial position  
as at 30 June 2022**

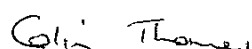
	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	10	365	407
Property, plant and equipment	11	63	68
Right-of-use assets	12	240	316
		<u>668</u>	<u>791</u>
<b>Current assets</b>			
Inventories	13	15	17
Trade and other receivables	14	9,297	8,095
Cash and cash equivalents		698	884
		<u>10,010</u>	<u>8,996</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,344)</u>	<u>(2,682)</u>
<b>Net current assets</b>		<u>6,666</u>	<u>6,314</u>
<b>Total assets less current liabilities</b>		<b>7,334</b>	<b>7,105</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(93)</u>	<u>(219)</u>
<b>Net assets</b>		<u><b>7,241</b></u>	<u><b>6,886</b></u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Profit and loss account	20	7,241	6,886
<b>Total shareholders' funds</b>		<u><b>7,241</b></u>	<u><b>6,886</b></u>

For the year ended 30 June 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Director's responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the financial year in question in accordance with section 476; and
- The Director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2023 and were signed on its behalf by:



**C J Thomas**  
**Director**

The notes on pages 9 to 24 form part of these financial statements.

## Statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 July 2020	-	9,040	9,040
Profit for the financial year	-	2,891	2,891
<b>Total comprehensive income for the year</b>	-	2,891	2,891
Dividends	-	(5,045)	(5,045)
<b>Transactions with owners</b>	-	(5,045)	(5,045)
<b>At 30 June 2021</b>	-	<b>6,886</b>	<b>6,886</b>
Profit for the financial year	-	2,621	2,621
<b>Total comprehensive income for the year</b>	-	2,621	2,621
Dividends	-	(2,266)	(2,266)
<b>Transactions with owners</b>	-	(2,266)	(2,266)
<b>At 30 June 2022</b>	-	<b>7,241</b>	<b>7,241</b>

**Notes to the financial statements  
for the year ended 30 June 2022****1. General information**

PHS Compliance Limited is a trading company whose principal activity is the provision of testing, remedial and project management services in relation to electrical and similar equipment.

The Company is a private company limited by shares and is incorporated and domiciled in England & Wales with a registered number of 03811260. The address of its registered office is PHS Group, Block B, Western Industrial Estate, Caerphilly, CF83 1XH.

**2. Principal accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements have been prepared 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 preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently.

**Financial reporting standard 101 – reduced disclosure exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these 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);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - iii. Paragraph 79(a)(iv) of IAS 1;
  - iv. Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - v. Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- 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 year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Financial reporting standard 101 – reduced disclosure exemptions (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 the consolidated financial statements of The Bidvest Group Limited as at 30 June 2022 and these financial statements may be obtained from the group's offices at Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, Johannesburg, 2196, South Africa.

#### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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 Company's financial statements can be prepared on a going concern basis, the Directors considered the Company's business activities together with factors likely to affect its performance and financial position. The factors included the likely impact of Covid-19.

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.

#### 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 income statement within 'net operating expenses'. For an analysis of 'net operating expenses' see note 5.

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company 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 Company's full or partial performance of its contractual obligations. Non-contractual income consists of the invoiced value of goods sold (which is recognised on despatch) plus service contract income of a non-recurring nature.

A receivable is recognised to the extent that it reflects the Company'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 prepayments and accrued income. Payment is due when the credit terms agreed with customers have expired.

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 accruals and deferred income) 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 Company's performance obligations have not been fully met. Accumulated experience is used to estimate such credit notes using the expected value method.

#### 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
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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.

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### 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.

#### Property, plant and equipment

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

Depreciation is calculated to write-off the cost of each property, plant and equipment asset on a straight-line basis over its expected useful economic life.

The principal depreciable lives of assets are:

Plant and machinery	-	5 years
Fixtures, fittings and equipment	-	4 years

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

#### Leases

The Company leases various properties. Rental contracts are typically made for fixed periods of 5 years but may have extension options.

Contracts may contain both lease and non-lease components. The company 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:

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Leases (continued)

- 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 company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company 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 Company, 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 Company 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 company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### Impairment of financial assets

The Company 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 Company 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).

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### 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 reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in profit or loss.

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

Debt instruments (other than those wholly repayable or receivable within one period), 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 period, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

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



## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

#### Creditors

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

#### Foreign currency translation

##### *Functional and presentation currency*

The company's functional and presentational currency is GBP.

##### *Transactions and balances*

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

At the end of each financial period, 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 Income statement 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 Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

#### Finance costs

Finance costs are charged to the Income statement 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.

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Pensions

##### *Defined contribution pension plan*

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

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

#### Interest Income

Interest income is recognised in the income statement using the effective interest method.

#### Borrowing costs

All borrowing costs are recognised in the Income statement in the period in which they are incurred.

#### Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income statement 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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 reporting date.

#### Exceptional items

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

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 2. Principal accounting policies (continued)

#### Rounding of amounts

All amounts in the financial statements and notes have been rounded off to the nearest thousand Sterling Pounds, unless otherwise stated

### 3. Judgments in applying accounting policies and key sources of estimation

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

#### Key accounting estimates and assumptions

##### *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 Company'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 £71,000.

### 4. Turnover

Turnover is wholly derived from the Company's principal activity within the United Kingdom.

### 5. Operating profit

An analysis of the Company's net operating expenses is set out below:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Cost of sales	<b>22,238</b>	18,130
Administrative expenses (including exceptional costs of £37,000 (2021: £66,000))	<b>5,925</b>	5,390
Other operating income	-	(306)
	<b>28,163</b>	23,214

**Notes to the financial statements  
for the year ended 30 June 2022 (continued)**

**5. Operating profit (continued)**

Operating profit is stated after charging / (crediting):	<b>2022</b> <b>£'000</b>	2021 £'000
Depreciation charge on right of use assets	<b>78</b>	96
Depreciation charge on property, plant and equipment	<b>43</b>	43
Amortisation on customer contracts	<b>42</b>	18
Exceptional costs	<b>37</b>	66
Impairment / (Reversal of impairment) of trade receivables	<b>7</b>	(41)
Government grants	-	(306)
Services provided by the Company's auditors and associates:		
Fees payable for the audit of the Company's financial statements	<u>-</u>	<u>11</u>

Exceptional costs incurred in the period consist of costs associated with the internal restructuring of the business.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated group financial statements of The Bidvest Group Limited.

**6. Directors and employees**

The emoluments of M E S Brabin and C J Thomas are borne by a parent company, Personnel Hygiene Services Limited, which makes no recharge to the Company (2021: £nil). M E S Brabin and C J Thomas served as directors of a parent company, PHS Bidco 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. Accordingly, no emoluments are included in these financial statements. The total emoluments of the directors are disclosed in the financial statements of Personnel Hygiene Services Limited.

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

The average monthly number of persons employed by the Company during the year was:

	<b>2022</b> <b>Number</b>	2021 Number
Administration	<b>106</b>	101
Sales	<b>22</b>	18
Service	<b>348</b>	317
	<u><b>477</b></u>	<u>436</u>
Employee costs for the above persons were:	<b>2022</b> <b>£'000</b>	2021 £'000
Wages and salaries	<b>16,020</b>	13,227
Social security costs	<b>1,831</b>	1,513
Other pension costs	<b>887</b>	748
	<u><b>18,738</b></u>	<u>15,488</u>

**Notes to the financial statements  
for the year ended 30 June 2022 (continued)**

**7. Interest receivable and similar income**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Interest receivable on loans to group undertakings	-	690
	<u>-</u>	<u>690</u>

**8. Interest payable and similar expenses**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Interest payable on loans from group undertakings	-	80
Lease liabilities	<b>33</b>	23
	<u><b>33</b></u>	<u>103</u>

**9. Tax on profit**

*(a) Analysis of charge in the year*

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Current tax</b>		
Adjustments in respect of prior periods	-	6
<b>Total current tax</b>	<u>-</u>	<u>6</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>9</b>	3
Impact of change in tax rate	<b>(2)</b>	(7)
Adjustments in respect of prior periods	<b>(4)</b>	-
<b>Total deferred tax</b>	<u><b>3</b></u>	<u>(4)</u>
<b>Tax on profit</b>	<u><b>3</b></u>	<u>2</u>

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 9 Tax on profit (continued)

#### (b) Factors affecting the tax charge for the year

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

	2022 £'000	2021 £'000
<b>Profit before taxation</b>	<b>2,624</b>	<b>2,893</b>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	499	550
<b>Effects of:</b>		
Expenses not deductible for tax purposes	5	5
Group relief unpaid	(495)	(552)
Remeasurement of deferred tax – change in UK rate	(2)	(7)
Adjustments in respect of prior periods	(4)	6
<b>Total tax charge for the year (note 9(a))</b>	<b>3</b>	<b>2</b>

#### 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 IFRS UK GAAP purposes. The rate applicable from 1 April 2020 to 31 March 2023 remains at 19% but the rate from 1 April 2023 will increase to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates and reflected in these financial statements.

### 10. Intangible assets

	<b>Customer Contracts £'000</b>
<b>Cost</b>	
At 1 July 2021 and 30 June 2022	<b>425</b>
<b>Accumulated amortisation</b>	
At 1 July 2021	18
Charge for year	42
<b>At 30 June 2022</b>	<b>60</b>
<b>Net book value</b>	
At 30 June 2022	<b>365</b>
At 30 June 2021	407

**Notes to the financial statements  
for the year ended 30 June 2022 (continued)**

**11. Property, plant and equipment**

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 July 2020	169	165	334
Additions	17	-	17
<b>At 30 June 2021</b>	<b>186</b>	<b>165</b>	<b>351</b>
Additions	20	18	38
<b>At 30 June 2022</b>	<b>206</b>	<b>183</b>	<b>389</b>
<b>Accumulated depreciation</b>			
At 1 July 2020	112	128	240
Charge for year	26	17	43
<b>At 30 June 2021</b>	<b>138</b>	<b>145</b>	<b>283</b>
Charge for year	26	17	43
<b>At 30 June 2022</b>	<b>164</b>	<b>162</b>	<b>326</b>
<b>Net book value</b>			
<b>At 30 June 2022</b>	<b>42</b>	<b>21</b>	<b>63</b>
At 30 June 2021	48	20	68

**12. Leases**

The Company has lease contracts for various properties used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

**Amounts recognised in the statement of financial position**

The Statement of financial position shows the following amounts relating to leases:

	2022 £'000	2021 £'000
<b>Lease liabilities</b>		
Current	80	45
Non-current	93	219
	<b>173</b>	<b>264</b>

**Notes to the financial statements  
for the year ended 30 June 2022 (continued)**

**12 Leases (continued)**

	<b>£'000</b>
<b>Right-of-use assets</b>	
<b>Cost</b>	
At 1 July 2020	628
At 30 June 2021	628
Modification to lease terms	2
<b>At 30 June 2022</b>	<b>630</b>
<b>Accumulated depreciation</b>	
At 1 July 2020	216
Charge for the year	96
At 30 June 2021	312
Charge for the year	78
<b>At 30 June 2022</b>	<b>390</b>
<b>Net book value</b>	
<b>At 30 June 2022</b>	<b>240</b>
At 30 June 2021	316

The Income statement shows the following amounts relating to leases:

	<b>2022 £'000</b>	2021 £'000
Depreciation charge of right-of-use assets	<b>78</b>	96
Interest expense	<b>33</b>	23

Future minimum lease payments as at 30 June are as follows:

	<b>2022 £'000</b>	2021 £'000
Not later than one year	<b>125</b>	128
Later than one year and not later than five years	<b>166</b>	287
<b>Total gross payments</b>	<b>291</b>	415
Impact of finance expenses	<b>(118)</b>	(151)
<b>Carrying amount of liability</b>	<b>173</b>	264

The total cash outflow for leases during the year was £126,000 (2021: £104,000).



**Notes to the financial statements  
for the year ended 30 June 2022 (continued)**

**13. Inventories**

	2022 £'000	2021 £'000
Goods for resale	15	17
	<u>15</u>	<u>17</u>

**14. Trade and other receivables**

	2022 £'000	2021 £'000
Trade receivables	5,136	5,210
Amounts owed by group undertakings	-	467
Other receivables	1	1
Recoverable deferred tax (note 17)	40	43
Prepayments and accrued income	4,120	2,374
	<u>9,297</u>	<u>8,095</u>

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

Trade receivables are stated after provisions for impairment of £128,000 (2021: £121,000).

**15. Creditors: amounts falling due within one year**

	2022 £'000	2021 £'000
Amounts owed to group undertakings	312	-
Lease liabilities (note 12)	80	45
Corporation tax	-	6
Other taxation and social security	147	247
Accruals and deferred income	2,805	2,384
	<u>3,344</u>	<u>2,682</u>

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

**16. Creditors: amounts falling due after more than one year**

	2022 £'000	2021 £'000
Lease liabilities (note 12)	93	219
	<u>93</u>	<u>219</u>

## Notes to the financial statements for the year ended 30 June 2022 (continued)

### 17. Deferred taxation

The deferred tax asset is made up as follows:

	Accelerated capital allowances £'000
<b>At 1 July 2020</b>	<b>39</b>
Credited to the Income statement	4
<b>At 30 June 2021</b>	<b>43</b>
Charged to the Income statement	(3)
<b>At 30 June 2022</b>	<b>40</b>

### 18. Pensions

The Company operates a defined contribution pension scheme for eligible employees. Contributions by the Company are charged to the Income statement as incurred. The total pension costs for the period are shown in note 6. There was no pension creditor at 30 June 2022 (2021: £nil).

### 19. Called up share capital

	2022 £	2021 £
<b>Allotted, issued and fully paid:</b>		
2 (2021: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 20. Profit and loss account

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

### 21. Dividends

Dividends of £2.3m were paid during the year (2021: £5.0m). The Directors do not recommend the payment of a final dividend for the year.

### 22. Capital commitments and contingent liabilities

The Company had no capital commitments at 30 June 2022 (2021: £nil).

### 23. Ultimate parent company and controlling party

The immediate parent company is CLM Safety 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 South Africa.

The parent company of the smallest and largest group at which the Company's financial statements are consolidated is The Bidvest Group Limited. Copies of the statements are available from the company's registered office at Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, Johannesburg, 2196, South Africa.