Company registration number 06544285 (England and Wales)

SAFETYKLEEN GROUP SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

SAFETYKLEEN GROUP SERVICES LIMITED

COMPANY INFORMATION

Directors	A Griffith E Wieffering H Copestick
Company number	06544285
Registered office	Profile West 950 Great West Road Brentford Middlesex TW8 9ES
Independent Auditors	PricewaterhouseCoopers LLP 40 Clarendon Road Watford WD17 1JJ

SAFETYKLEEN GROUP SERVICES LIMITED

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SAFETYKLEEN GROUP SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal activities
The Company is a private company limited by shares and is incorporated in England and Wales. The Company operates as an integral member of the Safetykleen Group (the "Group"), the Company's ultimate parent is Shilton Midco 2 Limited. The Group provides chemical cleaning and environmental solutions across a wide range of industrial segments, ranging from automotive MRO (Maintenance, Repair and Overhaul), metal working and transport to manufacture; operating through a number of wholly owned subsidiaries in multiple countries.

The Company acts as an intermediate holding company with the Group. The principal activity of the Company is the provision of centralised services across the Safetykleen Group (the "Group") and this is expected to continue going forward.

The results for the year are set out on page 12.

Strategy
The Company's houses centralised functions including sales and marketing, IT, procurement, legal; providing consistent direction and thought leadership to the Group's operating companies.

Business review
The business of the Group is described in detail in the consolidated financial statements of the ultimate parent company. 2022 was a successful year for the Safetykleen Group, with over 10% growth in its Book of Business and new customer wins growing well. The Group invested in its service network during the year, in particular:

- Employing additional branch staff to enable the efficient preparation and loading of the vans used by our service staff, and
- Investing in repair capabilities which ensure we can fix more machine issues at the customer's site in a timely manner. This reduces machine downtime, which the Group has found to be a key driver of customer happiness.

In common with all industrial businesses, the Group saw the impact of inflation in its cost base in 2022, particularly on the chemicals utilised within the machines.

On a statutory basis the Group's revenue increased by 9.3% to £290.4m (2021: £265.6m). In contrast, the Group's operating profit contracted by 5.5% to £29.1m (2021: £30.8m), largely due to additional spend in sales and marketing costs to drive growth, as well as investments in IT capabilities.

Due the position of the Company it is dependent upon both its integration with, and support from, the Group. The Company's income is primarily derived from intercompany recharges, which increased during the year to £27.3m (2021: £24.2m). Interest costs increased in line with the broader interest rate environment, rising to £34.1m (2021: £29.3m). The combination of these elements resulted in an increased net loss for the financial year of £21.9m (2021: £20.0m).

Risks and uncertainties

Due to the dependency of the Company on the performance of the Group, the directors consider that the principal risks and uncertainties surrounding the Company are aligned with those of the broader Group's business. These are summarised below.

- Competition

Safetykleen faces a variety of small local outsourcing competitors, some serving the automotive market sector, including used-oil collectors. In certain regions new competition has emerged in recent years. In addition, the majority of companies still meet their parts cleaning needs in-house by buying a machine, sourcing chemicals and disposing of the chemicals in a compliant way. In response, the Group has a strong established customer base and offers an advanced and broad machine portfolio serving a variety of customer applications, and offering productivity, quality and compliance benefits to customers. The Group continues to invest in machine and chemical development to ensure it can offer the most appropriate service to meet customers' needs. Alongside this, the Group has increased its sales and marketing headcount and resources to increase its reach to potential new customers.

- Change in legislation

The Group operates in a regulated market with legislation relevant to both the environment and health and safety. This provides obligations for the Group to meet but also may be beneficial to the Group in that it creates a barrier to entry for competitors. Any future reduction in the existing standards required by regulatory authorities could impact negatively on the Group's position as a provider of environmental solutions.

- Change in technology

The technology of the equipment and the chemistry used is becoming more sophisticated which may reduce demand for the Group's service. This is also an opportunity and the Group is working on the development of new machines to meet the requirements of customers requiring more tailored solutions to meet their cleaning needs. The Group also has in-house chemistry capabilities to ensure that over the long term the chemistries used by the Group remain relevant in the market. In addition, the Group is subject to evolving environmental legislation and standards and is required to remain in compliance with these. This is also an opportunity for the Group to support our customers, for example with the launch of advisory services to help our customers meet their own compliance obligations.

- Macro-economic changes

The macro-economic environment in Europe has impacted the Group's customer base. The Group mitigates its exposure to these factors through its geographical diversity and the fact that its customer base is large enough not to be concentrated on a small number of customers.

The Group is exposed to movements in petrochemical prices for virgin solvent and vehicle fuel purchases, as well as the selling price of waste oil which has an impact on the associated revenue stream. These costs are impacted by macro-economic events like the ongoing war in Ukraine. The Group seeks to mitigate the exposure on the cost of materials associated with the use of virgin solvent through the use of recycled solvents via its recycling plants in Germany or through third-party facilities, whilst the increasing change in machine mix away from solvent parts washers to aqueous based washers has also led to reduced direct exposure, albeit aqueous chemistries are subject to price fluctuations in the broader chemical market.

The direct impact of Covid was in 2020, with service levels returning to normal in 2021 and 2022. However, the impact on the Global economy can still be felt, with some supply chain challenges and a labour skills shortage in key markets. The impact of Covid itself is now mostly less serious, at times of increased infection staff absences from sickness rise accordingly.

- Financial Risk

The Group is exposed to financial risks including foreign exchange risk arising from its overseas subsidiaries, the contributions of which are subject to fluctuations in foreign exchange results. To mitigate this risk, the Group's senior debt is largely drawn in Euros, matching the revenue streams from the operating companies throughout Europe.

The Group is exposed to credit risk, which arises from the possibility that the Group's customer will fail to meet their contractual payment obligations when due. The Group considers this risk to be mitigated as its customer base is large enough not to be concentrated on a small number of customers and that the average outstanding balance per customer is not significant.

The Group is also exposed to liquidity and interest rate risk, which are managed through the use of diverse funding sources including capital, retained earnings and bank borrowings of various tenors. The Group uses derivative instruments to mitigate some interest rate risks.

On behalf of the board

Andrew Griffith (Dec 21, 2023 21:09 GMT+11)

A Griffith
Director

21 December 2023

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Going concern
The Company benefits from an undertaking that the Group will provide the working capital and funding necessary for the Company to continue its operations for the foreseeable future.

The Group continues to be financed by a combination of debt and equity funding, with total bank debt including interest payable of £509.2m (2021: £541.1m), preference shares including accrued interest of £356.3m (2021: £315.0m) and finance lease obligations of £31.5m (2021: £29.9m) at 31 December 2022. In addition, at 31 December 2022 the Group has undrawn committed revolving credit facilities of £60.0m (2021: £60.0m) and a drawn committed acquisition facilities of €20.0m (2021: drawn €20.0m). The Group does not have bank debt or preference share repayment obligations to meet within the next 12 months, and neither does it have financial covenants to meet, except where the revolving credit facility is more than 40% drawn, which is not the case at 31 December 2022.

During February 2023, the Group refinanced its debt with an extension of the amount and maturity of the Revolving Credit Facility to £84.5m expiring in July 2026, and the term loan and acquisition facility debt being redenominated into separate drawings of £106.0m and €490.0m , maturing in January 2027. The interest rate on drawn debt is now 5.00% above EURIBOR for the Euro Debt and 5.75% above SONIA for the Sterling Debt.

There are clearly macro-economic challenges across the world – with high inflation, volatility in interest rates, volatility in oil prices and challenges in supply chains and labour markets, as well as geo-political risks with the potential for significant disruption. As a business with recurring revenues and low customer concentration, Safetykleen is well positioned to manage reasonable future scenarios, as evidenced by robust trading in 2020 at the peak of the Covid impact. The Group's financial position remains strong, with £66.7m operating cash generated in the year, £34.8m cash on the balance sheet at the 31 December 2022, and undrawn revolving credit facilities of £60.0m - subsequently extended to £84.5m, in February 2023. The £60.0m revolving credit facilities are subject to a covenant that the Group must have a net debt to EBITDA ratio of less than 9.25x if the facility is more than 40% drawn (the ratio at 31 December 2022 was 6.3x). There are no other financial covenants on the Group's bank facilities. This liquidity has been compared to financial projections for the Group using reasonable assumptions, and an assessment made of the headroom to manage a downside scenario. The financial projections over this period indicate a net cash position without the need to access the Group's revolving credit facilities, even when a downside scenario is assumed (being zero growth in our Book of Business, inflation of 3.5% in material and labour costs, revenue delivery from the Book of Business of 96% (against budget delivery of 98% for 2023), and a reduction of 5% in non-machine revenue). With the current liquidity position of the Group, and the strength of the business model, the Directors consider that it is appropriate to prepare the financial statements on a Going Concern basis.

The company has received a Letter of Support from its ultimate parent undertaking, Shilton Midco 2 Limited, confirming support to enable the company to meet its liabilities when they fall due for a period of at least 12 months from the date of approval of financial statements. With the current liquidity position of the Group, the robust performance of the business in 2022, and the strength of the business model, the Directors consider that it is appropriate to prepare the financial statements on a Going Concern basis.

Results and dividends
The results for the year are set out on page 12.

The Company's loss for the financial year is £21.9M (2021: £20.0M loss). The directors do not recommend the payment of a dividend (2021: £nil).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Griffith	
E Wieffering	
J Van Der Zanden	(Resigned 21 February 2022)
H Copestick	(Appointed 11 March 2022)

Directors' insurance

The Group provided the Directors and Officers with liability insurance for the year. The insurance does not provide cover in the event that the director is provided to have acted fraudulently.

Future developments

The Company will continue in its role as an intermediate holding Company for the Safetykleen Group for the foreseeable future.

Independent Auditors

In accordance with the company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as independent auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

Statement of disclosure to independent auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's independent auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's independent auditors are aware of that information.

Financial risk management

For information relating to the Group's financial risk management policy please refer to the consolidated financial statements of the ultimate parent company. The consolidated financial statements of Shilton Midco 2 Limited can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

SAFETYKLEEN GROUP SERVICES LIMITED

On behalf of the board

Andrew Griffith (Dec 21, 2023 21:09 GMT+11)

A Griffith
Director

21 December 2023

Independent auditors' report to the members of Safetykleen Group Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Safetykleen Group Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company 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 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 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.

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 31 December 2022 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, 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 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 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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with UK tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate accounting entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;

- auditing the risk of management override of controls, including through testing journal entries;
- reviewing minutes of meetings of those charged with governance; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

We have no exceptions to report arising from this responsibility.

E Sowerby

Emma Sowerby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
21 December 2023

SAFETYKLEEN GROUP SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Administrative expenses		(11,953)	(13,580)
Other operating income	3	27,301	24,180
Other operating expenses	4	(4,113)	-
Operating profit	5	11,235	10,600
Interest receivable and similar income	8	2,180	29
Interest payable and similar expenses	9	(34,138)	(29,276)
Loss before taxation		(20,723)	(18,647)
Tax on loss	10	(1,217)	(1,380)
Loss for the financial year		(21,940)	(20,027)

There are no recognised gains or losses other than those passing through the profit and loss account. Consequently a statement of comprehensive income has not been prepared.

SAFETYKLEEN GROUP SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Intangible assets	**11**		115		390
Tangible assets	**12**		88		143
Investments	**13**		319,939		319,939
Debtors - deferred tax	**14**		439		1,656
			320,581		322,128
Current assets					
Debtors	**15**	103,476		83,161	
Cash at bank and in hand		3,667		4,253	
		107,143		87,414	
Creditors: amounts falling due within one year	**16**	(714,234)		(673,869)	
Net current liabilities			(607,091)		(586,455)
Total assets less current liabilities			(286,510)		(264,327)
Provisions for liabilities					
Provisions		490		733	
			(490)		(733)
Net liabilities			(287,000)		(265,060)
Capital and reserves					
Called up share capital	**17**		10,000		10,000
Profit and loss account			(297,000)		(275,060)
Total equity			(287,000)		(265,060)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

Andrew Griffith (Dec 21, 2023 21:09 GMT+11)

A Griffith
Director

Company Registration No. 06544285

SAFETYKLEEN GROUP SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2021	10,000	(255,033)	(245,033)
Year ended 31 December 2021:			
Loss and total comprehensive expense for the year	-	(20,027)	(20,027)
Balance at 31 December 2021	10,000	(275,060)	(265,060)
Year ended 31 December 2022:			
Loss and total comprehensive expense for the year	-	(21,940)	(21,940)
Balance at 31 December 2022	10,000	(297,000)	(287,000)

1 Accounting policies

Company information

Safetykleen Group Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Profile West, 950 Great West Road, Brentford, Middlesex, TW8 9ES.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company is a wholly owned subsidiary of WP Midco 3 Limited, and of its ultimate parent, Shilton Midco 2 Limited. It is included in the consolidated financial statements of Shilton Midco 2 Limited which are publicly available. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Shilton Midco 2 Limited. The address of the parent's registered office is Profile West, 950 Great West Road, Brentford, Middlesex, TW8 9ES.

1 Accounting policies **(Continued)**

1.2 Going concern

The Company benefits from an undertaking that the Group will provide the working capital and funding necessary for the Company to continue its operations for the foreseeable future.

The Group continues to be financed by a combination of debt and equity funding, with total bank debt including interest payable of £509.2m (2021: £541.1m), preference shares including accrued interest of £356.3m (2021: £315.0m) and finance lease obligations of £31.5m (2021: £29.9m) at 31 December 2022. In addition, at 31 December 2022 the Group has undrawn committed revolving credit facilities of £60.0m (2021: £60.0m) and a drawn committed acquisition facilities of €20.0m (2021: drawn €20.0m). The Group does not have bank debt or preference share repayment obligations to meet within the next 12 months, and neither does it have financial covenants to meet, except where the revolving credit facility is more than 40% drawn, which is not the case at 31 December 2022.

During February 2023, the Group refinanced its debt with an extension of the amount and maturity of the Revolving Credit Facility to £84.5m expiring in July 2026, and the term loan and acquisition facility debt being redenominated into separate drawings of £106.0m and €490.0m , maturing in January 2027. The interest rate on drawn debt is now 5.00% above EURIBOR for the Euro Debt and 5.75% above SONIA for the Sterling Debt.

There are clearly macro-economic challenges across the world – with high inflation, volatility in interest rates, volatility in oil prices and challenges in supply chains and labour markets, as well as geo-political risks with the potential for significant disruption. As a business with recurring revenues and low customer concentration, Safetykleen is well positioned to manage reasonable future scenarios, as evidenced by robust trading in 2020 at the peak of the Covid impact. The Group's financial position remains strong, with £66.7m operating cash generated in the year, £34.8m cash on the balance sheet at the 31 December 2022, and undrawn revolving credit facilities of £60.0m - subsequently extended to £84.5m, in February 2023. The £60.0m revolving credit facilities are subject to a covenant that the Group must have a net debt to EBITDA ratio of less than 9.25x if the facility is more than 40% drawn (the ratio at 31 December 2022 was 6.3x). There are no other financial covenants on the Group's bank facilities. This liquidity has been compared to financial projections for the Group using reasonable assumptions, and an assessment made of the headroom to manage a downside scenario. The financial projections over this period indicate a net cash position without the need to access the Group's revolving credit facilities, even when a downside scenario is assumed (being zero growth in our Book of Business, inflation of 3.5% in material and labour costs, revenue delivery from the Book of Business of 96% (against budget delivery of 98% for 2023), and a reduction of 5% in non-machine revenue). With the current liquidity position of the Group, and the strength of the business model, the Directors consider that it is appropriate to prepare the financial statements on a Going Concern basis.

The company has received a Letter of Support from its ultimate parent undertaking, Shilton Midco 2 Limited, confirming support to enable the company to meet its liabilities when they fall due for a period of at least 12 months from the date of approval of financial statements. With the current liquidity position of the Group, the robust performance of the business in 2022, and the strength of the business model, the Directors consider that it is appropriate to prepare the financial statements on a Going Concern basis.

1.3 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

1 Accounting policies **(Continued)**

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 - 7 years
Website	3 years

Following the IFRIC on IAS 38 relating to cloud computing arrangements, the Company's policy is to expense expenditure relating to the setup and operation of cloud computing solutions, except where they meet the criteria for capitalisation under the IFRIC. This change of policy has resulted in a prior year adjustment to write-off expenditure previously capitalised and in the current year expenditure on cloud computing solutions has been expensed. The impact of this is set out in note 3.

1.4 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10 years
Machinery and equipment	3-10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Investment

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies **(Continued)**

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies **(Continued)**

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.12 Employee benefits

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

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1 Accounting policies **(Continued)**

1.16 Other operating income

Other operating income includes franchise fee income charged to subsidiary companies based on a percentage of their quarterly turnover for the use of the Safetykleen name and in-house systems as well as the services of certain Group employees. Income is recognised in the period these services are performed.

1.17 Other operating expenses

Other operating expenses is comprised of items that are material either individually or, if a similar type, in aggregate and which due to their nature or the infrequency of the events giving rise to them, are presented separately to assist users of the financial statements in assessing the trading performance of the Group's businesses either year-on-year or with other businesses.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of investments

FRS 102 requires management to estimate the recoverable amount of an asset or group of assets. Recoverable amount represents the higher of value in use and fair value less costs to sell.

Value in use represents the net present value of the cash flows expected to arise from an asset or group of assets and its calculation requires management to estimate those cash flows and to apply a discount rate to them.

Cash flows are estimated by applying assumptions to budget sales, costs and overheads over a five year forecast period and by applying a perpetuity growth rate to the future forecast cashflows.

Cash flows are discounted using a discount rate based on the Group's weighted average cost of capital adjusted for risks specific to the asset or group of assets. The weighted average cost of capital is affected by estimates of interest rates, equity returns and market and country related risks.

At 31 December 2022 the carrying value of investments is disclosed in note 12. Based on management's assessment and judgement, there are no indications of impairment or changes in circumstances indicating that the carrying value of its investments may not be recoverable. If cash flow or discount rate assumptions were to change, impairment losses may be recognised in the future.

3 Other operating income

	2022	2021
	£'000	£'000
Franchise fee charged to other group companies	27,301	24,180

4 Other operating expenses

	2022 £'000	2021 £'000
Reorganisation and restructuring costs	135	
Other costs	3,978	-
	4,113	-

Other costs principally relate to systems implementation costs of £3.7m.

Non-recurring items include specific charges and credits included within the income statement that management consider to be non-underlying and where the nature of the items is such that a better understanding of the underlying performance is given if they are shown separately.

5 Operating profit

Operating profit for the year is stated after charging:	2022 £'000	2021 £'000
Depreciation of owned tangible assets	82	84
Amortisation of intangible assets	276	273
Operating lease charges	108	108

6 Auditors' remuneration

Fees payable to the company's auditors and associates:	2022 £'000	2021 £'000
For audit services		
Audit of the financial statements of the company	7	6

In addition to the above the Company also bore fees of £238k (2021: £220k) in relation to the audit of its ultimate parent company Shilton Midco 2 Limited and other group undertakings.

7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Management	6	6
Finance	9	13
Information Technology	22	22
Administration and other	21	17
Total	58	58

7 Employees **(Continued)**

	2022 £'000	2021 £'000
Wages and salaries	6,766	5,061
Social security costs	663	546
Other pension costs	214	168
	7,643	5,775

The directors are directors of a number companies within the Group headed by Shilton Midco 2 Limited. The remuneration of the directors during the reporting year was borne by Safetykleen Group Services Limited.

7 Employees (Continued)

	2022 £'000	2021 £'000
Aggregate emoluments	1,296	1,453
Amounts paid to pension schemes	38	35
	1,334	1,488

The highest paid director received emoluments of £834k (2021: £876k) for the year and pension contributions of £39k (2021: £35k).

No (2021: none) directors have retirement benefits accruing under money purchase pension schemes.

8 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest receivable from group companies	-	29
Other income from investments		
Exchange differences	2,180	-
Total income	2,180	29

9 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	34,138	26,346
Other finance costs:		
Exchange differences	-	2,930
	34,138	29,276

10 Tax on loss

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on loss for the current period	-	2,193
Deferred tax		
Origination and reversal of timing differences	1,217	(813)
Total tax charge	1,217	1,380

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(20,723)	(18,647)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2021: 19%)	(3,937)	(3,543)
Tax effect of expenses that are not deductible in determining taxable profit	12	-
Group relief	4,244	5,748
Permanent capital allowances in excess of depreciation	(149)	(137)
Other non-reversing timing differences	(170)	(403)
Under/(over) provided in prior years	-	(285)
Deferred tax origination and reversal of timing differences	1,217	-
Taxation charge for the year	1,217	1,380

The main rate of UK corporation tax remained constant at 19%.

No deferred tax asset has been recognised in relation to carried forward operating losses at an entity level as management do not consider it probable that there will be future taxable profits available against which these assets could be offset. The Company has unrecognised deferred tax assets of £481k (2021: £481k).

11 Intangible assets

	Software	Website	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2022 and 31 December 2022	1,490	205	1,695
Accumulated amortisation and impairment			
At 1 January 2022	1,225	80	1,305
Amortisation charged for the year	208	67	275
At 31 December 2022	1,433	147	1,580
Carrying amount			
At 31 December 2022	57	58	115
At 31 December 2021	265	125	390

12 Tangible assets

	Leasehold improvements	Machinery and equipment	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2022	73	313	386
Additions	-	27	27
At 31 December 2022	73	340	413
Depreciation and impairment			
At 1 January 2022	40	203	243
Depreciation charged in the year	7	75	82
At 31 December 2022	47	278	325
Carrying amount			
At 31 December 2022	26	62	88
At 31 December 2021	33	110	143

13 Investments

	2022 £'000	2021 £'000
WP SK Holdings Limited	269,782	269,782
WP SK Italy	20,208	20,208
WP SK France SAS	29,949	29,949
Investments in subsidiaries	319,939	319,939

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Assets 2022 £'000	Assets 2021 £'000
Accelerated capital allowances	439	1,656

Movements in the year:	2022 £'000
Liability at 1 January 2022	1,656
Credit to profit or loss	(1,217)
Liability at 31 December 2022	439

15 Debtors

Amounts falling due within one year:	2022 £'000	2021 £'000
Corporation tax recoverable	2,776	337
Amounts owed by group undertakings	99,217	82,139
Other debtors	849	340
Prepayments and accrued income	634	345
	103,476	83,161

15 Debtors (Continued)

	2022	2021
Amounts falling due after more than one year:	**£'000**	**£'000**
Deferred tax asset (note 14)	439	1,656
Total debtors	103,915	84,817

16 Creditors: amounts falling due within one year

	2022	2021
	£'000	**£'000**
Trade creditors	469	578
Amounts owed to group undertakings	710,769	670,672
Taxation and social security	148	129
Accruals	2,848	2,490
	714,234	673,869

Amounts owed to group undertakings due within one year are either i) unsecured, incur interest at REPO +1% and are repayable on demand ii) bear interest at an arms length rate of either GBP base rate or EURIBOR plus a margin between 4%-6% and have a fixed repayment date in line with the Company's external borrowings.

Following the cessation of LIBOR on 31 December 2021, this was replaced by the GBP base rate for all amounts owed to group undertakings that had previously accrued interest at a rate referencing LIBOR. There were no changes in the margin.

Accruals consists mainly of accrued bonus payments.

17 Called up share capital

	2022	2021
	£'000	**£'000**
Allotted, called up and fully paid		
10,000,000 (2021: 10,000,000) ordinary shares of £1 each	10,000	10,000

18 Subsidiaries

The Company directly owns 100% of the ordinary shares of WP SK Holdings Limited an intermediate holding company incorporated in England and Wales, WP SK France SAS an intermediate holding company incorporated in France and WP SK Italy Sri an intermediate holding company incorporated in Italy.

The registered office of WP SK Holdings Limited is Profile West, 950 Great West Road, Brentford, Middlesex, TW8 9ES. The registered office of WP SK France SAS is 65 avenue Jean Mermoz, 93126 La Courneuve, Cedex. The registered office of WP SK Italy Srl is Via XXV Aprile 5, Pero, Milan.

Details of the company's subsidiaries at 31 December 2022 are as follows (Company name - Country of incorporation - Principal Activity):

WP SK France Limited - United Kingdom - Holding company
WP SK Holdings Limited - United Kingdom - Holding company
WP SK Midco Limited - United Kingdom - Holding company
WP SK Limited - United Kingdom - Holding company
Safety-Kleen Europe Limited - United Kingdom - Holding company
Safety-Kleen UK (Europe) Limited - United Kingdom - Holding company
Safety-Kleen UK (France) Limited - United Kingdom - Holding company
Safety-Kleen UK Limited - United Kingdom - Parts washing and chemical application services
Parts Wash Limited - United Kingdom - Dormant company
Parts Wash UK Limited - United Kingdom - Dormant company
QED Chemical Solutions Limited - United Kingdom - Dormant company
Technowash Limited - United Kingdom - Machine Manufacturer
WP Safety-Kleen Spain SL - Spain - Holding company
Safety-Kleen España SA - Spain - Parts washing and chemical application services
WP SK France SAS - France - Holding company
Safety-Kleen France Services SAS - France - Holding company
Safety-Kleen France Sarl - France - Parts washing and chemical application services
WP SK Italy Srl - Italy - Holding company
Safety-Kleen Italia Spa - Italy - Parts washing and chemical application services
SKD Holdings GmbH - Germany - Holding company
Safety-Kleen Beteiligungs GmbH - Germany - Holding company
Safety-Kleen Deutschland GmbH - Germany - Parts washing and chemical application services
Safety-Kleen Grundbesitz GmbH - Germany - Holding company
Orm Bergold Chemie GmbH & Co KG - Germany - Waste collection and recycling
Orm Chemie GmbH - Germany - Holding company
Safetykleen Portugal Solventes e Gestão de Residuos, SA - Portugal - Parts washing and chemical applicati
Safety-Kleen Ireland Limited - Ireland - Parts washing and chemical application services
Safety-Kleen Belgium SA - Belgium - Parts washing and chemical application services
Safety-Kleen (Netherlands) BV - Netherlands - Holding company
Safety-Kleen Hungary KFT - Hungary - Parts washing and chemical application services
Co-Ba 2000 KFT - Hungary - Parts washing and chemical application services
Safety-Kleen Slovakia s.r.o - Slovakia - Parts washing and chemical application services
Safety Kleen CZ. s.r.o. - Czech Republic - Parts washing and chemical application services
Safety-Kleen Parça Temizlik Hizmetleri Limited - Turkey - Parts washing and chemical application services
Global Kleen HK Limited - Hong Kong - Parts washing and chemical application services
Global Kleen Guangzhou Parts Washer Limited - China - Parts washing and chemical application services
Servicekleen do Brasil Ltda - Brazil - Parts washing and chemical application services

All the companies are 100% owned within the Group.

19 Ultimate parent company and ultimate controlling party

The Company's immediate parent company is WP Midco 3 Limited a company incorporated in the United Kingdom. Shilton Midco 2 Limited is the Company's ultimate parent undertaking and controlling party and is the largest and the smallest group of which the Company is a member and for which consolidated financial statements are prepared. The consolidated financial statements of Shilton Midco 2 Limited can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

The Group, headed by Shilton Midco 2 Limited, is a portfolio company of APAX IX GP Co Limited funds (the "APAX IX funds") advised and managed by Apax Partners LLP, a private equity firm organised in Luxembourg.

20 Events after the reporting date

There are no post balance sheet events which require disclosure.