

DIRECTORS' REPORT AND ACCOUNTS

PHONOTAS SERVICES LIMITED (FORMERLY BET (NO 40) LIMITED)

FOR THE YEAR ENDED 31 DECEMBER 1998

REGISTERED NUMBER 2392884



PHONOTAS SERVICES LIMITED

REPORT OF THE DIRECTORS 1998

The directors submit their annual report, together with the audited accounts of the company for the year ended 31 December 1998.

CHANGE OF NAME

At an extraordinary general meeting held on 9 June 1998 the name of the company was changed from BET (No 40) Limited to Phonotas Services Limited

PROFIT AND LOSS ACCOUNT

During the year the company has not traded, has not incurred any liabilities and, consequently has made neither profit nor loss.

PRINCIPAL ACTIVITY

The company did not trade during the year.

YEAR 2000

There is a separate Information Technology ("IT") department in the Rentokil Initial plc group of companies which is responsible for ensuring that businesses conform to the group's IT strategy and policies and also responsible for writing and maintaining proprietary operating software. Some years ago the various IT software in use was reviewed for compliance with year 2000 requirements and a programme was prepared to ensure compliance including replacing some non-compliant software and associated hardware. This has been done within normal IT budgets and was largely completed by the end of 1998, although some minor programme changes and final testing will not be completed until mid 1999. We believe that all critical systems are, or will be, fully compliant but clearly there is always some risk of some unforeseen problems in even the best run projects.

DIRECTORS

The directors who served during the year were:

Grayston Central Services Limited
Plant Nominees Limited

Neither Grayston Central Services Limited nor Plant Nominees Limited held any beneficial interests in the share capital of the company or of Rentokil Initial plc at either 1 January 1998 or 31 December 1998.

PHONOTAS SERVICES LIMITED

REPORT OF THE DIRECTORS 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which 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 these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards;
- prepare the accounts on a going concern basis.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned in favour of the new firm, PricewaterhouseCoopers, and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. An elective resolution has been passed to dispense with the requirement to re-appoint auditors at the annual general meeting. PricewaterhouseCoopers have indicated their willingness to continue in office for the coming year.

By order of the board

Authorized Representative
Plant Nominees Ltd.



Plant Nominees Limited
Secretary

Garland Road
East Grinstead
West Sussex
RH19 2 DR

22 March 1999

**AUDITORS' REPORT TO THE MEMBERS OF
PHONOTAS SERVICES LIMITED**

We have audited the accounts on pages 4 to 7, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared under the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

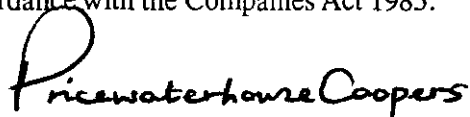
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6NN

22 March 1999

PHONOTAS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>1998</u>	<u>1997</u>
	£,000	£,000
Interest receivable - group companies	— -	— 3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-	3
Taxation on profit on ordinary activities (note 3)	— -	— (1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	— -	— 2
RETAINED PROFIT FOR THE YEAR (note 4)	== -	== 2

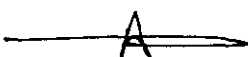
The company had no recognised gains and losses during the year other than those recorded in the above profit and loss account: accordingly, no separate statement of total recognised gains and losses has been prepared.

The notes on pages 6 and 7 form part of the accounts

PHONOTAS SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>1998</u> £,000	<u>1997</u> £,000
DEBTORS – amounts owed by group companies	52	52
CURRENT LIABILITIES (amounts falling due within one year) – corporation tax	<u>—(1)</u>	<u>—(1)</u>
	<u>51</u>	<u>51</u>
REPRESENTED BY: CAPITAL AND RESERVES		
AUTHORISED SHARE CAPITAL 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
CALLED UP SHARE CAPITAL Allotted and fully paid ordinary shares of £1 each	50	50
PROFIT AND LOSS ACCOUNT (note 4)	<u>—1</u>	<u>—1</u>
EQUITY SHAREHOLDERS' FUNDS (note 5)	<u>51</u>	<u>51</u>
Approved by the board on 22 March 1999		


Grayston Central Services Limited
DIRECTOR

The notes on pages 6 and 7 form part of the accounts

PHONOTAS SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Preparation

The company prepares its accounts on the basis of historical cost. The company accounts have been prepared in accordance with the Companies Act 1985 as amended by the Companies Act 1989 and applicable accounting standards.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Rentokil Initial plc and is included in the consolidated financial statements of Rentokil Initial plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Rentokil Initial plc group or investees of the Rentokil Initial plc group (See note 7).

2. DIRECTORS AND EMPLOYEES

The company has no employees and accordingly there are no employee costs. The directors received no emoluments for services as directors of the company.

3. TAXATION

Tax on the profit for the year comprises:

	<u>1998</u> £,000	<u>1997</u> £,000
UK corporation tax at 31% (1997: 31.5%)	—	1

PHONOTAS SERVICES LIMITED

NOTES TO THE ACCOUNTS

4. PROFIT AND LOSS ACCOUNT

	1998 £'000
At 1 January	1
Result for the financial year	<u>-</u>
At 31 December	<u>1</u>

5. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	<u>-</u>	<u>2</u>
Increase in shareholders' funds	-	2
Opening shareholders' funds	<u>51</u>	<u>51</u>
Closing shareholders' funds	<u>51</u>	<u>51</u>

6. ULTIMATE PARENT COMPANY

The company's immediate parent company is BET UK plc. The company's ultimate parent company is Rentokil Initial plc, which forms the only group into which the financial statements of the company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from Felcourt, East Grinstead, West Sussex, RH19 2JY.

7. OTHER RELATED PARTY TRANSACTIONS

Rentokil Initial plc is also the company's ultimate controlling company. The company has not undertaken any transactions with related parties during the year, other than transactions with fellow members of the Rentokil Initial plc group. Such transactions are exempt from disclosure under FRS 8.