

PHS Services Limited

Annual report for the year ended 31 March 2007

Registered no 3805412

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PHS Services Limited

Annual Report for the year ended 31 March 2007

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Directors and advisors

Directors

P J Cohen
J F Skidmore

Secretary and registered office

J F Skidmore
Western Industrial Estate
CAERPHILLY
CF83 1XH

Registered auditors

PricewaterhouseCoopers LLP
One Kingsway
CARDIFF
CF10 3PW

Solicitors

Morgan Cole
Bradley Court
Park Place
CARDIFF
CF10 3DP

**Directors' report
for the year ended 31 March 2007**

The Directors present their report and the audited financial statements for the year ended 31 March 2007

Principal activity and business review

The Company acts as an intermediate holding company for the same group providing workplace services. It is anticipated that the role of the company within the group will remain unchanged into the foreseeable future.

Results and dividends

The result for the year after taxation was a profit of £14,747,000 (2006 £10,737,000)

The Board does not recommend the payment of a final equity dividend (2006 £nil)

Financial risk management

There is a group-wide risk management programme in place but as the Company does not trade and has no external borrowings of any kind, the programme is largely irrelevant to the Company's circumstances.

Directors and their interests

All Directors of the Company who served at any time during the year are listed on page 1

No Director had any interest in the shares or debentures of the Company or in the shares or debentures of its subsidiaries at any time during the year ended 31 March 2007

The interest of the Directors in the shares and debentures of parent companies are disclosed in the financial statements of the ultimate parent company, PHS Group Holdings Limited

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2007 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. They 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.

**Directors' report
for the year ended 31 March 2007 (continued)**

Statement of disclosure of information to auditors

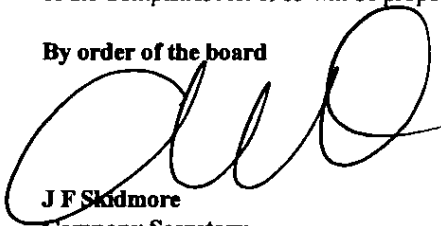
Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company in accordance with Section 385 of the Companies Act 1985 will be proposed at the next Annual General Meeting

By order of the board



J F Skidmore
Company Secretary

29 June 2007

Independent auditors' report to the members of PHS Services Limited

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We have audited the financial statements of PHS Services Limited for the year ended 31 March 2007 which comprise the Profit and loss account the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

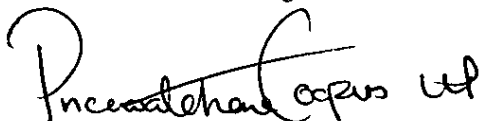
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

29 June 2007

**Profit and loss account
for the year ended 31 March 2007**

	Note	2007 £'000	2006 £'000
Turnover		<u>-</u>	<u>-</u>
Operating loss	3	(18)	(5 790)
Interest receivable and similar income		21,086	27,744
Interest payable and similar charges	4	<u>-</u>	<u>(4,324)</u>
Profit on ordinary activities before taxation		21,068	17,630
Tax on profit on ordinary activities	5	<u>(6,321)</u>	<u>(6,893)</u>
Profit on ordinary activities after taxation		14,747	10,737
Dividends paid	6	<u>-</u>	<u>(6,909)</u>
Retained profit for the financial year	11	<u>14,747</u>	<u>3,828</u>

All results arise in respect of continuing operations

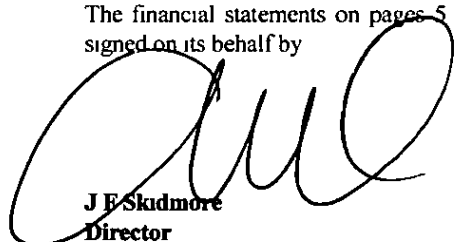
The Company has no recognised gains and losses other than the profits and losses disclosed above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the retained profit for the years stated above and the historical cost equivalent

**Balance sheet
at 31 March 2007**

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	7	<u>411,862</u>	<u>402,496</u>
Current assets			
Debtors	8	41,964	30,366
Cash		<u>4,817</u>	<u>3,501</u>
		46,781	33,867
Creditors: amounts falling due within one year	9	<u>(153,283)</u>	<u>(145,750)</u>
Net current assets		<u>(106,502)</u>	<u>(111,883)</u>
Total assets less current liabilities		305,360	290,613
Provisions for liabilities and charges	5	<u>(249)</u>	<u>(249)</u>
Net assets		<u>305,111</u>	<u>290,364</u>
Capital and reserves			
Called up share capital	10	51,545	51,545
Share premium account	11	193,769	193,769
Capital redemption reserve	11	1,020	1,020
Profit and loss account	11	<u>58,777</u>	<u>44,030</u>
Total shareholders' funds	12	<u>305,111</u>	<u>290,364</u>

The financial statements on pages 5 to 12 were approved by the Board of Directors on 29 June 2007 and were signed on its behalf by



J E Skidmore
Director

**Notes to the financial statements
for the year ended 31 March 2007****1 Principal accounting policies****Basis of preparation**

The financial statements are prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the financial statements of its ultimate parent company (note 15)

All existing accounting policies have been reviewed in the year and are considered to be the most appropriate to the Company

A summary of the more significant accounting policies is set out below

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value

Deferred taxation

A deferred tax liability is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial liabilities and issue costs

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs are charged to the profit and loss account together with the coupon, as finance costs, on a constant yield basis over the term of the borrowings, or over a shorter period where the lender can require earlier payment.

Cash flow statement

The Company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking and its immediate parent company prepares consolidated financial statements that include the results and cash flows of the Company.

Audit fee

The audit fee is borne by a fellow group company.

**Notes to the financial statements
for the year ended 31 March 2007 (continued)**

2 Directors and employees

No persons other than the Directors were employed during the year. The Executive directors' emoluments are borne by another group company.

3 Operating loss

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

	2007 £'000	2006 £'000
Other operating charges		
Ongoing	18	166
Exceptional	-	5,624
Other operating charges	18	5,790

Exceptional costs above relate to professional fees in relation to the Company's de-listing and acquisition by a new parent company in the year.

4 Interest payable and similar charges

	2007 £'000	2006 £'000
On bank loans and overdrafts	-	3,757
Amortisation of issue costs	-	567
	-	4,324

5 Tax on profit on ordinary activities

(a) Analysis of charge in the year

The taxation charge is made up as follows:

	2007 £'000	2006 £'000
Current tax		
UK corporation tax on profits for the year	2	-
Adjustments in respect of prior periods	(1)	-
Group relief	6,320	6,893
	6,321	6,893

**Notes to the financial statements
for the year ended 31 March 2007 (continued)**

5 Tax on profit on ordinary activities (continued)

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

The tax assessed for the year varies from the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £'000	2006 £'000
Profit before taxation	<u>21,068</u>	<u>17,630</u>
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	6,320	5,289
Effects of		
Prior year charge	(1)	-
Permanent differences	<u>2</u>	<u>1,604</u>
Current tax charge for the year (note 5(a))	<u>6,321</u>	<u>6,893</u>

(c) Deferred tax

The deferred tax liability is made up as follows

	2007 £'000	2006 £'000
Capital gains / revaluations	<u>249</u>	<u>249</u>

6 Dividends paid

	2007 £'000	2006 £'000
Equity - Ordinary shares of £1 each		
Final dividend paid nil p (2006 1.36p) per share	<u>-</u>	<u>6,909</u>

7 Investments

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost and net book value			
At 1 April 2006	29,200	373,296	402,496
Additions	<u>-</u>	<u>9,366</u>	<u>9,366</u>
At 31 March 2007	<u>29,200</u>	<u>382,662</u>	<u>411,862</u>

**Notes to the financial statements
for the year ended 31 March 2007 (continued)**

7 Investments (continued)

The principal subsidiary undertakings of the Company are set out below. The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings at 31 March 2007 will be annexed to the Company's next Annual Return.

Name	Class of capital	Proportion of shares held	Principal activity
Personnel Hygiene Services Limited	£1 ordinary shares	100% (indirect)	Provision of workplace services at customer premises
	1p preference shares	100% (indirect)	
All Water Systems Limited	€1 269738 ordinary shares	100% (indirect)	Sale, rental and maintenance of point of use water dispensers
Karmarton Limited	€1 269738 ordinary shares	100% (indirect)	Sale, rental and maintenance of washroom service products
Watercompany International BV	€1 ordinary shares	100% (indirect)	Sale, rental and maintenance of point of use water dispensers
PHS All Clear Limited	£1 ordinary shares	100% (indirect)	Clinical waste collection and disposal
PHS Western Limited	£1 ordinary shares	100% (direct)	Intermediate holding company
PHS Holdings Limited	£1 ordinary shares	100% (direct)	Intermediate holding company
	£1 preference shares	100% (indirect)	
PHS Investments Limited	Deferred 10p shares	100% (indirect)	Intermediate holding company
	\$0.05 ordinary shares	100% (indirect)	
Teacrate plc (formerly PHS Rentals plc)	£1 ordinary shares	100% (indirect)	Intermediate holding company
Teacrate Rentals Limited (formerly Teacrate plc)	10p ordinary shares	100% (indirect)	Specialist crate rental
Warner Howard Group Limited	1p ordinary shares	100% (direct)	Intermediate holding company

All Water Systems Limited and Karmarton Limited are incorporated and registered in the Republic of Ireland. Watercompany International BV is incorporated and registered in the Netherlands. All other companies are incorporated in the UK and registered in England & Wales.

**Notes to the financial statements
for the year ended 31 March 2007 (continued)**

8 Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings	<u>41,964</u>	<u>30,366</u>

9 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	152,873	145,622
Other creditors	133	128
Corporation tax	<u>277</u>	<u>-</u>
	<u>153,283</u>	<u>145,750</u>

10 Called up share capital

	2007 £'000	2006 £'000
Authorised		
695,000,000 ordinary shares of 10p each	<u>69,500</u>	<u>69,500</u>
Allotted, issued and fully paid		
515,451,740 ordinary shares of 10p each	<u>51,545</u>	<u>51,545</u>

11 Statement of movements in reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2006	193,769	1,020	44,030
Retained profit for the financial year	<u>-</u>	<u>-</u>	<u>14,747</u>
At 31 March 2007	<u>193,769</u>	<u>1,020</u>	<u>58,777</u>

**Notes to the financial statements
for the year ended 31 March 2007 (continued)**

12 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Profit on ordinary activities after taxation	14,747	10,737
Dividends paid	-	(6,909)
Retained profit for the financial year	14,747	3,828
New share capital subscribed	-	6,626
Own shares purchased and cancelled	-	(458)
Opening shareholders' funds	290,364	280,368
Closing shareholders' funds	305,111	290,364

13 Capital commitments and contingent liabilities

The Company had no capital commitments at 31 March 2007 (2006 £nil)

The Company has provided guarantees in respect of bank borrowings totalling £649,579,000 (net of unamortised issue costs) of a parent company, PHS Group plc, and certain fellow subsidiary companies

14 Related party transactions

Where appropriate the Company has taken advantage of the exemption conferred by FRS8 not to disclose any related party transactions in the period with greater than 90% owned Group companies

The ultimate parent company issued institutional loan notes with a par value of £271,697,000 in September 2005 to Charterhouse General Partners (VII) Limited, a fellow group company of the ultimate controlling party. During the year, interest of £45,052,000 (2006 £20,880,000) accrued on these loan notes. Management fees of £100,000 (2006 £54,000) were charged for the year.

Of the remaining institutional loan notes in issue, £965,000 is in favour of the Directors. During the year, interest of £123,000 (2006 £74,000) accrued on these loan notes.

15 Ultimate parent company and controlling party

The ultimate parent company is PHS Group Holdings Limited and the immediate parent company is PHS Group plc. Both companies are incorporated in the United Kingdom and registered in England and Wales.

Copies of the financial statements of both parent companies are available from the company's registered office at Western Industrial Estate, Caerphilly.

The ultimate controlling party of the Company is a series of Funds managed by Charterhouse General Partners (VII) Limited.