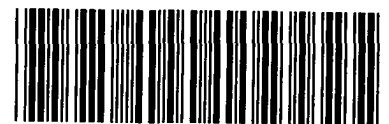


PHS Services Limited

Annual report for the year ended 31 March 2014

Registered no: 3805412

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PHS Services Limited

Annual report for the year ended 31 March 2014

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Directors and advisors

Directors

G Rhys Williams
S A Woods

Secretary and registered office

D Finlayson (appointed 17 March 2014)
S A Woods (resigned 17 March 2014)
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
Bradley Court
Park Place
CARDIFF
CF10 3DP

**Strategic report
for the year ended 31 March 2014**

The Directors present their strategic report on the Company for the year ended 31 March 2014.

Business overview

Financial review

The result for the year after taxation was a profit of £20,015,000 (2013: £16,012,000). Net assets at 31 March 2014 totalled £353,282,000 (2013: £333,267,000).

Post balance sheet events

The PHS Group breached its financial covenant in relation to its debt to earnings ratio for the relevant testing periods ending on 5 January 2014, 30 March 2014 and 20 July 2014. Whilst the PHS Group had outstanding covenant breaches as at 30 March 2014, it was at that date already well advanced in constructive discussions with its financial creditors, over one third of whom had agreed not to take any enforcement action. The PHS Group has subsequently completed a successful restructuring of its debt facilities resulting in substantially reduced indebtedness being provided under its new facilities. No events of default have occurred or are anticipated under the new facilities.

Principal risks and uncertainties

The Company is managed as part of an overall group of companies whose ultimate parent company was PHS Group Holdings Limited at the balance sheet date (refer to note 14). The matters required to be discussed in the strategic report, which include the principal risks and uncertainties are set out in the annual report of PHS Group Holdings Limited. A copy of these financial statements is available from the Company's registered office.

The principal risks and uncertainties of the Company are integrated into the principal risks and uncertainties of the group and are not managed separately.

Key performance indicators

Given the straight forward nature of the business, the Directors believe that analysis using financial and non-financial key performance indicators is not necessary or appropriate for the understanding of the development, performance or position of this Company.

Future outlook

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

Approved and signed on behalf of the board



**S A Woods
Director
17 October 2014**

**Directors' report
for the year ended 31 March 2014 (continued)**

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

Principal activities

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

Directors

All Directors of the Company who served at any time during the year and up to the date of signing the financial statements are listed on page 1.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Dividends

The Directors do not recommend the payment of a dividend for the year (2013: £nil). Dividends paid during the year amounted to £nil (2013: £nil).

Financial risk management

The financial structure of the Company is linked to the group as there are no external borrowings and the company does not trade. There is a group-wide risk management programme in place which sets out the financial risk management policies which are also relevant to the Company.

Going concern

As described in the Post Balance Sheet Events note in the Strategic Report, the Group has completed a successful restructuring of its debt facilities resulting in substantially reduced indebtedness being provided under its new facilities. 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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

**Directors' report
for the year ended 31 March 2014 (continued)**

Statement of Directors' responsibilities (continued)

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. 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.

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.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved and signed on behalf of the board

A handwritten signature in black ink, appearing to be 'S A Woods', written over the text 'Approved and signed on behalf of the board'.

**S A Woods
Director
17 October 2014**

Independent auditors' report to the members of PHS Services Limited

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Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by PHS Services Limited, comprise:

- balance sheet as at 31 March 2014;
- profit and loss account for the year then ended;
- reconciliation of movement in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

17 October 2014

**Profit and loss account
for the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Interest receivable and similar income		48,251	41,768
Interest payable and similar charges	3	(22,257)	(20,962)
Profit on ordinary activities before taxation		25,994	20,806
Tax on profit on ordinary activities	4	(5,979)	(4,794)
Profit for the financial year	9	20,015	16,012

All results arise in respect of continuing operations.

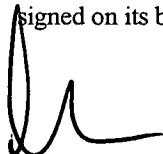
The Company has no recognised gains and losses other than those disclosed above and therefore no separate statement of total recognised gains and losses has been presented.

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

**Balance sheet
at 31 March 2014**

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	5	<u>530,502</u>	<u>509,865</u>
Current assets			
Debtors	6	285,981	268,535
Creditors: amounts falling due within one year	7	<u>(463,201)</u>	<u>(445,133)</u>
Net current liabilities		<u>(177,220)</u>	<u>(176,598)</u>
Total assets less current liabilities		353,282	333,267
Net assets		<u>353,282</u>	<u>333,267</u>
Capital and reserves			
Called up share capital	8	51,545	51,545
Share premium account	9	193,769	193,769
Capital redemption reserve	9	1,020	1,020
Profit and loss account	9	<u>106,948</u>	<u>86,933</u>
Total shareholders' funds	10	<u>353,282</u>	<u>333,267</u>

The financial statements on pages 7 to 10 were approved by the Board of Directors on 17 October 2014 and were signed on its behalf by:



**S A Woods
Director**

**Notes to the financial statements
for the year ended 31 March 2014****1. Principal accounting policies****Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and accounting standards currently applicable in the United Kingdom.

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the financial statements of the ultimate parent company (note 14).

Accounting policies

All 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, which have been consistently applied, 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.

Cash flow statement

The Company has taken the exemption conferred by FRS1 not to prepare a cash flow statement as it is a wholly owned subsidiary undertaking and its ultimate 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 and no recharge is made to the company.

**Notes to the financial statements
for the year ended 31 March 2014 (continued)**

2. Directors and employees

No persons other than the Directors were employed during the year. The emoluments of G Rhys Williams and S A Woods are borne by Personnel Hygiene Services Limited, which makes no recharge to the Company (2013: £nil). G Rhys Williams and S A Woods served as directors of the parent company 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 PHS Group Holdings Limited.

3. Interest payable and similar charges

	2014 £'000	2013 £'000
On loans from group undertakings	<u>22,257</u>	<u>20,962</u>

4. Tax on profit on ordinary activities

(a) Analysis of charge in the year

The taxation charge is made up as follows:	2014 £'000	2013 £'000
Current tax		
Group relief receivable	<u>5,979</u>	4,993
	5,979	4,993
Deferred tax		
Adjustments in respect of prior years	-	(199)
	<u>5,979</u>	<u>4,794</u>

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

The tax assessed for both years is the same as the standard rate of corporation tax in the UK.

	2014 £'000	2013 £'000
Profit before taxation	<u>25,994</u>	<u>20,806</u>
Profit multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	5,979	4,993
Effects of:		
Current tax charge for the year (note 4(a))	<u>5,979</u>	<u>4,993</u>

Notes to the financial statements for the year ended 31 March 2014 (continued)

4. Tax on profit on ordinary activities (continued)

(c) Deferred tax

The deferred tax liability is made up as follows:

	2014 £'000	2013 £'000
Capital gains / revaluations	-	-

The movement on the deferred tax liability is as follows:

	2014 £'000	2013 £'000
At 1 April	-	199
Prior year charge	-	(199)
Profit and loss account	-	-
At 31 March	-	-

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The Company's deferred tax has been calculated at a rate of 20%. The changes in tax rates and laws have not had a material impact on the results.

5. Investments

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost and net book value			
At 1 April 2013	29,210	480,655	509,865
Additions	-	20,637	20,637
At 31 March 2014	29,210	501,292	530,502

The principal subsidiary undertakings of the Company are set out below. The Company owns, either directly or indirectly, 100% of the shares in each subsidiary listed. 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 2014 will be annexed to the Company's next Annual Return.

The following subsidiary companies all act as intermediate holding companies. All are registered in England and Wales, with the exception of Watercompany International BV and Mulberry Invest SA, which are registered in the Netherlands and Spain respectively.

**Notes to the financial statements
for the year ended 31 March 2014 (continued)**

5. Investments (continued)

Company name	Class of capital
PHS Holdings Limited	£1 ordinary shares
PHS Investments Limited	10p deferred share
	\$0.05 ordinary shares
Teacrate Limited	£1 ordinary shares
Epsilon Test Services Limited	1p 'A' ordinary shares
	1p 'B' non-voting convertible ordinary shares
	£1 irredeemable 'A' preference shares
CLM Safety Limited	£1 ordinary shares
Warner Howard Group Limited	1p ordinary shares
Watercompany International BV	€1 ordinary shares
Mulberry Invest SA	€1 ordinary shares

A list of the principal trading subsidiary companies is given below.

Company name	Class of capital	Country	Principal activity
Personnel Hygiene Services Limited	£1 ordinary shares €1 redeemable preference shares	England & Wales	Provision of workplace services at customers' premises
Teacrate Rentals Limited	10p ordinary shares	England & Wales	Rental, sale and management of specialist crates
PHS Compliance Limited	£1 ordinary shares	England & Wales	Investigative services in relation to electrical and similar equipment
Direct365online Limited	£1 ordinary shares	England & Wales	Provision of washroom services and the supply of related goods
All Water Systems Limited	€1.269738 ordinary shares	Ireland	Sale, rental and maintenance of point of use water dispensers
Karmarton Limited	€1.269738 ordinary shares	Ireland	Sale, rental and maintenance of washroom service products
Watercompany BV	€1 ordinary shares	Netherlands	Sale, rental and maintenance of point of use water dispensers
Ultraspring BV	€1 ordinary shares	Netherlands	Sale, rental and maintenance of point of use water dispensers
Servicios de Contenedores Higienicos Sanitarios S.A	€1 ordinary shares	Spain	Provision of workplace services at customers' premises

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

**Notes to the financial statements
for the year ended 31 March 2014 (continued)**

6. Debtors

	2014 £'000	2013 £'000
Amounts owed by group undertakings	<u>285,981</u>	<u>268,535</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.

7. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	<u>463,201</u>	<u>445,133</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.

8. Called up share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
515,451,740 (2013: 515,451,740) ordinary shares of 10p each	<u>51,545</u>	<u>51,545</u>

9. Statement of movements in reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2013	193,769	1,020	86,933
Profit for the financial year	<u>-</u>	<u>-</u>	<u>20,015</u>
At 31 March 2014	<u>193,769</u>	<u>1,020</u>	<u>106,948</u>

10. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	20,015	16,012
Opening shareholders' funds	<u>333,267</u>	<u>317,255</u>
Closing shareholders' funds	<u>353,282</u>	<u>333,267</u>

**Notes to the financial statements
for the year ended 31 March 2014 (continued)****11. Capital commitments and contingent liabilities**

The Company had no capital commitments at 31 March 2014 (2013: £nil).

As at the balance sheet date, the Company has provided guarantees in respect of bank borrowings totalling £932,004,000 (2013: £929,554,000) (net of unamortised issue costs) of a parent company, PHS Group Limited (formerly PHS Group plc), and certain fellow subsidiary companies. Refer to note 13 for details of guarantees at the date of signing the accounts.

12. 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 year with wholly owned group companies.

13. Post balance sheet events

The PHS Group breached its financial covenant in relation to its debt to earnings ratio for the relevant testing periods ending on 5 January 2014, 30 March 2014 and 20 July 2014. Whilst the PHS Group had outstanding covenant breaches as at 30 March 2014, it was at that date already well advanced in constructive discussions with its financial creditors, over one third of whom had agreed not to take any enforcement action. The PHS Group has subsequently completed a successful restructuring of its debt facilities resulting in substantially reduced indebtedness being provided under its new facilities. No events of default have occurred or are anticipated under the new facilities.

At the date of signing these financial statements, the Company has provided guarantees in respect of bank borrowings totalling £393,500,000 of a parent company, PHS Group Limited (formerly PHS Group plc), and certain fellow subsidiary companies.

14. Ultimate parent company and controlling party

The ultimate parent company was PHS Group Holdings Limited and the immediate parent company was PHS Group Limited (formerly PHS Group plc) at the balance sheet date. Both companies are incorporated in the United Kingdom and registered in England and Wales.

The parent company of the smallest group at which the Company's financial statements are consolidated is PHS Group Limited (formerly PHS Group plc) and of the largest group is PHS Group Holdings Limited.

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 was funds managed by Charterhouse General Partners (VII) at the balance sheet date.

At the date of signing these financial statements, as a result of the debt restructuring (see note 13), the ultimate parent company is PHS Group Investments Limited (formerly Pacific 1 Limited) and, in the opinion of the directors, there is no ultimate controlling party.