

**PHS Group plc**  
**(formerly PHS Investments Limited)**

**Annual report**  
**for the year ended 31 March 2001**

Registered no: 3805412



# **PHS Group plc**

## **Annual Report for the year ended 31 March 2001**

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**Directors and advisers**

**Directors**

R D Mackenzie (Chairman) (appointed 18 September 2000)

P J Cohen

K Bland

S D Simpson

L Giacomotto

**Secretary and registered office**

K Bland

Western Industrial Estate

CAERPHILLY

CF83 1XH

**Registered Auditors**

PricewaterhouseCoopers

One Kingsway

CARDIFF

CF10 3PW

**Solicitors**

Morgan Cole

Bradley Court

Park Place

CARDIFF

CF1 3DP

**Principal Bankers**

Bank of Scotland plc

Broad Street House

55 Old Broad Street

LONDON

EC2P 2HL

**Directors' report  
for the year ended 31 March 2001**

The directors present their report and the audited financial statements for the year ended 31 March 2001.

**Incorporation and change of name**

The company was incorporated on 7 July 1999 as DMWSL 279 Limited. The name of the company was subsequently changed to PHS Investments Limited. The company was re-registered as a public limited company and renamed PHS Group plc on 9 May 2001.

**Principal activity and business review**

The group is engaged in the provision of workplace services on customers' premises. There are four core business areas, washroom services, live and replica plants, mats and water dispensers. The vast majority of customers have rental, service and maintenance contracts.

During the year, the group grew strongly, both organically through the introduction of new products and services and by acquisition. New products launched included a range of chrome washroom products, a range of anti-fatigue mats and a new range of live plants and containers. Acquisitions made included Findlay Clark, Wilsons Landscapes and City Gardens in the live and replica plant market and the washroom businesses of Matrex and Terminix.

The group also added a fourth workplace services leg in October 2000 through the acquisition of Waterlogic (UK) Limited, a point of use water dispenser business.

A major new initiative named 'Project Fast Response' was launched in May 2000 aimed at improving customer retention. The group increased investment in a whole range of customer retention projects as a result of employee ideas generated from this project.

The group continued to make investments in systems to provide best value to our customers, improve service productivity and deliver superior returns to our shareholders.

Financial performance in the year was very encouraging and is a great credit to everyone working in the group.

**Results and dividends**

Operating profits for the year were £26,744,000 (2000: profit £11,500,000).

The results for the year after taxation and minority interests were a loss of £3,342,000 (2000: loss £8,475,000).

The directors do not recommend the payment of a dividend (2000: £nil).

**Directors**

The directors of the company at 31 March 2001 are listed on page 1. No other director served at any time during the year.

## Directors' report for the year ended 31 March 2001 (continued)

### Directors' interests in shares and debentures

No director had any interest in the shares or debentures of the company or in the shares and debentures of its subsidiaries, as at 31 March 2001, other than as noted below:

	Interest in 1p ordinary shares of the company	
	31 March 2001 Number	31 March 2000* Number
K Bland	400,000	40,000
P J Cohen	800,000	80,000
S D Simpson**	24,640	2,464
L Giacomotto**	12,610	1,261
R Mackenzie	202,020	20,202

\*or date of appointment, if later

\*\* interest in the 1p ordinary shares are beneficial holdings and are not directly held

The increase in directors' shares relates to a bonus issue made on 31 March 2001 (see note 18).

	Interest in 10% fixed rate "C" unsecured loan notes 2009	
	31 March 2001 £	31 March 2000 £
K Bland	250,000	250,000
P J Cohen	1,000,000	1,000,000
S D Simpson	-	-
L Giacomotto	-	-
R Mackenzie	-	-

### Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

**Directors' report  
for the year ended 31 March 2001 (continued)**

The directors are responsible for keeping 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 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.

**Policy on the payment of creditors**

It is group policy to comply with terms of payment negotiated with suppliers. Where payment terms are not negotiated the group endeavours to adhere to the supplier's standard terms. The group's average payment period in the year for the continuing businesses was 50 days (2000: 48 days).

**Employees**

It is group policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the group's performance, are consulted wherever necessary and are encouraged generally to be involved in the group's overall performance.

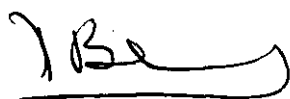
It is established group policy to offer the same opportunities to disabled people as to all others in matters of recruitment and career advancement, provided they have the abilities to perform the tasks required, with or without training, and to provide retraining where necessary in cases when disability arises during employment with the group.

**European Monetary Union ("EMU")**

The group is well advanced in its preparation for European Monetary Union and has established an internal project team to address the issue. The group does not expect the cost or benefits from the introduction of the Euro to have a material effect on its trading performance.

**Auditors**

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

**By order of the board**

**K Bland**  
**Company Secretary**

11 May 2001

**Report of the auditors to the members of  
PHS Group plc**

We have audited the financial statements on pages 6 to 33.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on pages 3 and 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 in accordance with the United Kingdom 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 information specified by law regarding directors' remuneration and transactions is not disclosed.

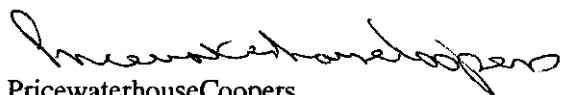
**Basis of opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of the affairs of the company and the group at 31 March 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Cardiff

11 May 2001

# Consolidated profit and loss account for the year ended 31 March 2001

	Notes	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 Restated £'000
<b>Turnover</b>			
Continuing operations	2	97,068	59,261
<b>Net operating expenses (including exceptional items)</b>	3	<u>(70,324)</u>	<u>(47,761)</u>
<b>Operating profit before exceptional items</b>		<b>26,744</b>	<b>13,533</b>
<b>Exceptional costs – continuing activities</b>	4	<u>-</u>	<u>(2,033)</u>
<b>Operating profit</b>			
Continuing operations	2, 3	26,744	11,500
Interest receivable and similar income		-	3
Interest payable and similar charges	6	<u>(30,386)</u>	<u>(19,929)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(3,642)</b>	<b>(8,426)</b>
Tax on loss on ordinary activities	7	<u>300</u>	<u>(45)</u>
<b>Loss on ordinary activities after taxation</b>		<b>(3,342)</b>	<b>(8,471)</b>
Minority interests	17	<u>-</u>	<u>(4)</u>
<b>Retained loss for the period</b>	19	<u>(3,342)</u>	<u>(8,475)</u>

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Continuing operations include the results of acquisitions made during the year. The trade and assets of the companies or businesses acquired are incorporated into the existing trade of the Group and therefore their results are not separately identifiable post acquisition.

The comparative figures have been restated to show the effect of the prior year adjustment (Note 1).

The notes on pages 11 to 33 form part of these financial statements.



**Statement of total recognised gains and losses  
for the year ended 31 March 2001**

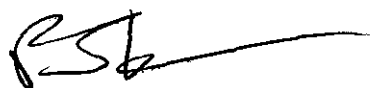
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>Restated £'000</b>
Loss for the financial year	(3,342)	(8,475)
Currency translation differences on foreign currency net investments	36	-
Total recognised losses relating to the year	<u>(3,306)</u>	<u>(8,475)</u>
Prior year adjustment (Note 1)	<u>(154)</u>	
Total losses recognised since the last financial statements	<u>(3,460)</u>	

The notes on pages 11 to 33 form part of these financial statements.


# Consolidated Balance Sheet at 31 March 2001

	Notes	2001 £'000	2000 Restated £'000
<b>Fixed assets</b>			
Intangible assets	8	278,398	258,828
Tangible assets	9	24,570	21,412
		<u>302,968</u>	<u>280,240</u>
<b>Current assets</b>			
Stocks	11	2,243	1,400
Debtors	12	21,711	21,159
Cash		488	1,994
		<u>24,442</u>	<u>24,553</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(22,339)</u>	<u>(17,947)</u>
<b>Net current assets</b>		<u>2,103</u>	<u>6,606</u>
<b>Total assets less current liabilities</b>		<b>305,071</b>	<b>286,846</b>
<b>Creditors: Amounts falling due after more than one year</b>	14	<b>(283,028)</b>	<b>(263,297)</b>
<b>Accruals and deferred income</b>	15	<b>(31,904)</b>	<b>(30,124)</b>
		<u>(9,861)</u>	<u>(6,575)</u>
<b>Minority interests</b>			
Equity minority interest	17	-	(20)
<b>Net liabilities</b>	2	<u>(9,861)</u>	<u>(6,595)</u>
<b>Capital and reserves</b>			
Called up share capital	18	202	20
Share premium account	19	1,718	1,860
Profit and loss account	19	(11,781)	(8,475)
<b>Equity shareholders' deficit</b>	20	<u>(9,861)</u>	<u>(6,595)</u>

The financial statements on pages 6 to 33 were approved by the Board of Directors on 11 May 2001 and were signed on its behalf by:



**PJ Cohen**  
Director



**K Bland**  
Director

The notes on pages 11 to 33 form part of these financial statements.

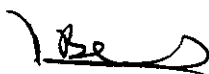
**Company Balance Sheet  
at 31 March 2001**

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments	10	200	200
<b>Current assets</b>			
Debtors	12	1,630	1,600
Cash		108	75
<b>Net current assets</b>		<u>1,738</u>	<u>1,675</u>
<b>Net assets</b>		<u>1,938</u>	<u>1,875</u>
<b>Capital and reserves</b>			
Called up share capital	18	202	20
Share premium account	19	1,718	1,860
Profit and loss account	19	18	(5)
<b>Equity shareholders' funds</b>		<u>1,938</u>	<u>1,875</u>

The financial statements on pages 6 to 33 were approved by the Board of Directors on 11 May 2001 and were signed on its behalf by:



**PJ Cohen**  
Director



**J. Bhambhani**  
Director

The notes on pages 11 to 33 form part of these financial statements.

**Consolidated cash flow statement  
for the year ended 31 March 2001**

	Notes	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 Restated £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		26,744	11,500
Depreciation charges		5,568	3,829
Profit on disposal of tangible fixed assets		(123)	(216)
(Increase)/decrease in stocks		(432)	474
Decrease/(increase) in debtors		254	(5,973)
(Decrease)/increase in creditors		(1,716)	6,485
<b>Net cash inflow from operating activities</b>		<b>30,295</b>	<b>16,099</b>
Returns on investments and servicing of finance	21	(12,578)	(8,080)
Taxation		(97)	(3,196)
Capital expenditure	21	(7,641)	(3,000)
Acquisitions and disposals	21	(15,270)	(210,060)
<b>Cash outflow before financing</b>		<b>(5,291)</b>	<b>(208,237)</b>
Financing	21	3,793	210,231
<b>(Decrease)/increase in cash</b>	22	<b>(1,498)</b>	<b>1,994</b>

The notes on pages 11 to 33 form part of these financial statements.

**Notes to the financial statements  
for the year ended 31 March 2001****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Changes in presentation of financial information**

Since the previous annual report and financial statements, the Accounting Standards Board has issued a number of Financial Reporting Standards ("FRS"), the Urgent Issues Task Force ("UITF") has issued a number of abstracts in the year and Statutory Instruments amending the Companies Act 1985, were approved. Where relevant and where the effective date is prior to the year end, these financial statements comply with these standards, UITF abstracts and Statutory Instruments.

**Change in accounting policy**

The results include a change in accounting policy to reflect the fact that the company now recognises income from operating leases on a daily basis from the day of inception of the lease. This is a change to the previous policy adopted, which was to recognise a full month's income in the month of inception of a lease and no income in the final month of the lease.

The effect on the results of implementing this new accounting policy was to reduce turnover and operating profit for the year by £113,000 (2000: £154,000), to increase deferred income at 31 March 2001 by £1,650,000 (31 March 2000: £1,537,000), to increase goodwill relating to the acquisition of PHS 280 Limited at 9 July 1999 by £1,383,000 and to reduce the value of the group reserves at 1 April 2000 by £154,000.

The prior year adjustment shown in the statement of recognised gains and losses represents the impact of restating the opening deferred income balance as at 31 March 2000.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The financial statements have been consolidated under the acquisition accounting method.

The company has taken advantage of the exemption from presenting its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

**Goodwill**

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

## Notes to the financial statements for the year ended 31 March 2001 (continued)

### 1 Principal accounting policies (continued)

#### Goodwill (continued)

Goodwill in respect of acquisitions made is shown as an asset and, in accordance with FRS 10 - "Intangible Assets and Goodwill", each acquisition is assessed to determine the useful economic life of the business and the goodwill. For the types of business acquired by the company to date, the board considers that the goodwill is an inseparable part of the total value of the relevant business. These are service businesses that are not subject to high volatility in fashions or markets and demand for these services is likely to continue for the foreseeable future. Such businesses, if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill has a measurable economic life. Where it is considered that the value of the business or its goodwill does have a measurable economic life, any related goodwill would be amortised through the profit and loss account by equal instalments over such useful economic life. In this context, the useful economic life of the businesses and goodwill are reviewed annually and revised where appropriate.

In the event that the useful economic life does not exceed 20 years, goodwill would be subject to an impairment review at the end of the year of acquisition and at any other time when the directors believe that impairment may have occurred. Where the goodwill is assigned a useful economic life that is in excess of 20 years or is indefinite, the value of the relevant businesses and goodwill is assessed for impairment against carrying values on an annual basis in accordance with FRS 11 - "Impairment of Fixed Assets and Goodwill". Any impairment is charged to the profit and loss account in the period in which it arises.

This policy represents a departure from the requirements of the Companies Act 1985, which does not permit an indefinite useful economic life and is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.

#### Turnover

Turnover represents the invoiced value of goods sold and the rentals receivable on operating leases (as described further below), exclusive of valued added tax.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses that are directly attributable to the acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates of depreciation used are as follows:

Freehold property	- 50 years
Short leasehold property	- Over the lease term
Equipment installed at customers' premises	- 1 to 5 years
Other equipment and vehicles	- 3 to 10 years
Tooling	- 4 years

#### Investments

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

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)****1 Principal accounting policies (continued)****Foreign exchange**

The assets and liabilities of foreign subsidiaries are translated into sterling at the rates ruling at the balance sheet date. Revenue and expenses in foreign subsidiaries are also translated at rates ruling at the balance sheet date. The difference arising from the translation of the opening net investment in subsidiaries is taken directly to reserves via the statement of total recognised gains and losses.

Transactions expressed in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign currency assets and liabilities are translated at year-end exchange rates. Any differences are taken to the profit and loss account.

**Stocks**

Stocks are stated at the lower of cost and net realisable value, which takes account of any provision necessary to, recognise damage and obsolescence. Cost includes labour, materials, transport and directly attributable overheads.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Finance leases**

Leasing agreements (including equivalent hire purchase agreements) which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful economic lives of the equivalent owned assets.

**Research and development**

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

## Notes to the financial statements for the year ended 31 March 2001 (continued)

### 1 Principal accounting policies (continued)

#### Operating leases

##### i) As lessor

Assets on hire to customers are capitalised and depreciated as noted above. Rentals receivable are credited to the profit and loss account on a straight-line basis, over the lease term. Income is recognised from the day of the inception of the lease. Amounts received in advance are shown in the balance sheet as deferred income.

##### ii) As lessee

Lease payments are charged to the profit and loss account on a straight-line basis over the lease term.

#### Government grants

Grants in respect of expenditure on fixed assets are included as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets. Revenue based grants are recognised in the profit and loss account in the period to which they relate.

#### Pension costs

The group operates a defined contribution pension scheme for eligible employees. Pension costs represent contributions payable to the scheme for the period.

#### Financial liabilities and issue costs

Issue costs incurred in raising debt finance are accounted for as an adjustment to the relevant liability and are amortised over the life of the instrument or over a shorter period where the lender can require earlier payment.

#### Financial instruments

Interest rate swap agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to interest expense over the period of the contracts.

### 2 Turnover and segmental reporting

An analysis of the group's turnover is set out below:

	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 Restated £'000
Rental (operating leases)	89,670	53,857
Sales	7,398	5,404
	<u>97,068</u>	<u>59,261</u>



**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**2 Turnover and segmental reporting (continued)**

Analysis of the group's turnover, operating profit and net assets/(liabilities) by activity is set out below:

	<u>Year ended 31 March 2001</u>			<u>Period 7 July 1999 to 31 March 2000</u>		
	Turnover	Operating profit	Net assets/ (liabilities)	Turnover Restated	Operating profit Restated	Net assets/ (liabilities) Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Washroom services	69,865	32,456	163,347	44,481	16,124	150,511
Mats	12,578	2,567	33,323	7,897	1,334	38,858
Live and replica plants	13,496	1,685	62,961	6,883	253	69,829
Water dispensers	1,129	(21)	19,681	-	-	-
Central costs	-	(9,943)	-	-	(6,211)	-
	<u>97,068</u>	<u>26,744</u>	<u>279,312</u>	<u>59,261</u>	<u>11,500</u>	<u>259,198</u>
Less: Group net debt			(289,086)			(265,408)
Less: Taxation			(87)			(385)
Net liabilities			<u>(9,861)</u>			<u>(6,595)</u>

Turnover and operating profit are principally earned and sourced from the United Kingdom. Net assets are principally located in the United Kingdom.

The directors have included segmental information in these financial statements for the first time, this is designed to give better information about the nature of the business and the key elements that drive its performance.

**3 Net operating expenses and operating profit**

Net operating expenses for the year comprise:	<u>Year ended 31 March 2001</u>	<u>Period 7 July 1999 to 31 March 2000</u>
	£'000	Restated £'000
Change in stocks	(432)	474
Own work capitalised	(1,052)	(649)
Raw materials and consumables	9,603	4,719
Employee costs (Note 5)	36,672	23,759
Depreciation	5,568	3,829
Other operating charges	19,965	15,629
	<u>70,324</u>	<u>47,761</u>

Figures for the period to 31 March 2000 have been restated because in the opinion of the directors, the restated figures provide a more appropriate comparison with those for the year to 31 March 2001.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**3 Net operating expenses and operating profit (continued)**

Including within depreciation above is £50,000 (2000: £88,000) of depreciation on assets held under finance leases.

Operating profit is stated after charging/(crediting):	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 £'000
Rentals under operating leases:		
Land and buildings	707	373
Hire of plant and machinery	3,633	2,075
Other operating leases	49	68
Fees paid to auditors:		
Audit services (company : £nil)	49	39
Other services	27	27
Property rents receivable	(95)	(20)
Grant income	(80)	-
Profit on disposal of tangible fixed assets	(123)	(216)

In addition to the amounts noted above, £121,000 (2000: £195,000) of fees paid to the group's auditors for non-audit services in respect of acquisitions during the period have been capitalised.

**4 Exceptional items**

The exceptional item of £2,033,000 in the period to 31 March 2000 relate to integrating the operations of substantial acquisitions (Southalls and Jardiniere) into those of the group and centralisation of the group's call centre at its head office.

In the year to 31 March 2001, the group has incurred costs of £271,000 integrating the operations of acquisitions (see note 25) into those of the group. These costs have not been shown on the face of the profit and loss account because they are not significantly material.

**5 Directors and employees**

Directors' emoluments for the period comprise:

	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 £'000
Salaries for management services	271	155
Fees	78	-
Other emoluments (including benefits in kind)	19	13
	<u>368</u>	<u>168</u>
Contributions to money purchase pension schemes	28	15
	<u>396</u>	<u>183</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**5 Directors and employees (continued)**

In addition to the emoluments shown above, fees of £33,000 (2000: £22,000) were paid to Charterhouse Development Capital Limited in respect of the services of S D Simpson and L Giacomotto.

Retirement benefits are accruing under a money purchase pension scheme to 2 current directors (2000: 2 directors).

Directors' emoluments include amounts paid to the highest paid director as follows:

	<b>Year ended 31 March 2001 £'000</b>	<b>Period 7 July 1999 to 31 March 2000 £'000</b>
Salary for management services	175	102
Other emoluments (including benefits in kind)	10	6
Contributions to money purchase pension schemes	14	7
	<u>199</u>	<u>115</u>

The average monthly number of persons (including executive directors) employed by the group during the period was:

	<b>Year ended 31 March 2001 Number</b>	<b>Period 7 July 1999 to 31 March 2000 Number</b>
Administration	330	276
Sales	325	277
Service	1,212	1,031
	<u>1,867</u>	<u>1,584</u>

Employee costs for the above persons were:

	<b>Year ended 31 March 2001 £'000</b>	<b>Period 7 July 1999 to 31 March 2000 Restated £'000</b>
Wages and salaries	32,772	21,470
Social security costs	3,154	1,841
Other pension costs	746	448
	<u>36,672</u>	<u>23,759</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**6 Interest payable and similar charges**

	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 Restated £'000
Secured senior debt/mezzanine interest	16,024	11,147
10% fixed rate unsecured subordinated loan note interest	14,291	8,759
Bank overdrafts	39	-
Hire purchase agreements	32	23
	<u>30,386</u>	<u>19,929</u>

Included above are issue costs on borrowings of £2,244,000 (2000: £1,665,000) that have been amortised to the profit and loss account.

Bank interest payable and receivable have been netted off to reflect the substance of the group's banking arrangements (Note 13).

**7 Tax on loss on ordinary activities**

The taxation (credit)/charge for the year comprises:

	Year ended 31 March 2001 £'000	Period 7 July 1999 to 31 March 2000 Restated £'000
UK Corporation tax at 30% (2000: 30%)		
Prior year (credit)/charge	(300)	45

Deferred taxation assets provided and unprovided in the group comprise:

	Amounts provided 2001 £'000	Amounts Unprovided 2001 £'000	Amounts provided 2000 £'000	Amounts Unprovided 2000 £'000
Depreciation in excess of capital allowances	-	(2,651)	-	(2,615)
Other short term timing difference	-	(347)	-	(81)
Unrelieved losses	-	(2,759)	-	(972)
	<u>-</u>	<u>(5,757)</u>	<u>-</u>	<u>(3,668)</u>

There were no amounts provided or unprovided in the company at 31 March 2001 (2000: Nil).

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**8 Intangible assets**

<b>Group</b>	<b>Purchased Goodwill £'000</b>
<b>Cost and net book value</b>	
At 1 April 2000 Restated (Note 1)	258,828
Adjustments to prior year provisional fair values	1,400
Additions	18,161
Foreign currency exchange differences	9
	<hr/>
<b>At 31 March 2001</b>	<b>278,398</b>

Additions to purchased goodwill represent the purchase of goodwill associated with the group's acquisition of subsidiary undertakings and unincorporated businesses during the period, as detailed in note 25.

Goodwill arising on acquisitions during the period can be determined only on a provisional basis because the fair values of the purchase consideration and net assets acquired cannot yet be finally determined.

Adjustments to prior year provisional fair values comprise a fair value adjustment of £1,400,000 in respect of creditors acquired from the purchase of the whole of the issued share capital of PHS 280 Limited on 9 July 1999.

As described in Note 1 the group does not amortise goodwill, the policy represents a departure from the requirements of the Companies Act 1985, which does not permit an indefinite useful economic life and is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.

In the year ended 31 March 2001, the group has acquired a number of businesses. The directors have reviewed these acquisitions and the group's underlying business and consider that these businesses and the associated goodwill have an indefinite useful economic life and the goodwill is therefore not being amortised.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**9 Tangible fixed assets**

<b>Group</b>	<b>Freehold property £'000</b>	<b>Short leasehold property £'000</b>	<b>Equipment installed at customers' premises £'000</b>	<b>Other equipment &amp; vehicles £'000</b>	<b>Tooling £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 April 2000	10,842	501	16,784	7,473	1,802	37,402
Additions	483	82	5,147	2,429	376	8,517
Disposals	(225)	-	(3,650)	(1,584)	-	(5,459)
Transfers	-	-	102	(102)	-	-
Foreign currency exchange differences	-	-	49	16	-	65
Acquisition of subsidiary undertakings	-	-	-	1,573	-	1,573
<b>At 31 March 2001</b>	<b>11,100</b>	<b>583</b>	<b>18,432</b>	<b>9,805</b>	<b>2,178</b>	<b>42,098</b>
<b>Accumulated depreciation</b>						
At 1 April 2000	-	58	10,579	4,037	1,316	15,990
Charge for the year	111	55	3,980	1,223	199	5,568
Disposals	-	-	(3,650)	(1,486)	-	(5,136)
Transfers	-	-	26	(26)	-	-
Foreign currency exchange differences	-	-	25	13	-	38
Acquisition of subsidiary undertakings	-	-	-	1,068	-	1,068
<b>At 31 March 2001</b>	<b>111</b>	<b>113</b>	<b>10,960</b>	<b>4,829</b>	<b>1,515</b>	<b>17,528</b>
<b>Net book value</b>						
<b>At 31 March 2001</b>	<b>10,989</b>	<b>470</b>	<b>7,472</b>	<b>4,976</b>	<b>663</b>	<b>24,570</b>
<b>At 31 March 2000</b>	<b>10,842</b>	<b>443</b>	<b>6,205</b>	<b>3,436</b>	<b>486</b>	<b>21,412</b>

The net book value of assets held under hire purchase agreements is £151,000 (2000: £322,000).

In previous years the group has stated that the useful economic lives of its freehold properties are so long and that they are maintained to such a high standard that, in most instances, the residual values would be sufficiently high to make any depreciation charge immaterial and thus no provision was made. FRS 15 does not accept that subsequent expenditure on tangible fixed assets that maintains their performance negates or diminishes the need to charge depreciation. Consequently, in the board of directors' opinion, application of this aspect of the group's previous policy is no longer sustainable and the buildings element of its freehold properties are now depreciated over their remaining useful economic lives, freehold land continues not to be depreciated. This has been reflected as a change of estimate with £111,000 depreciation being charged in the year for the group. No prior year adjustment has been made as the previous policy had been to provide for depreciation where material.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**10 Investments**

<b>Company</b>	<b>Shares in subsidiary undertakings £'000</b>
<b>Cost and net book value</b>	
At 1 April 2000 and 31 March 2001	<b>200</b>

The principal subsidiary undertakings of the company are:

<b>Name</b>	<b>Class of capital</b>	<b>Portion of shares held</b>	<b>Activity</b>	<b>Country of incorporation</b>
Personnel Hygiene Services Limited	£1 ordinary shares	100% (indirect)	Servicing, rental and selling of hygiene equipment and consumables	United Kingdom
Personnel Hygiene Services Inc	Authorised shares issued at \$4	100% (indirect)	Servicing, rental and selling of hygiene equipment and consumables	United States of America
PHS All Clear Limited	£1 ordinary shares	100% (indirect)	Waste management	United Kingdom
PHS Holdings Limited	£1 ordinary shares	100% (direct)	Intermediate holding company	United Kingdom
PHS 280 Limited	10p ordinary shares	100% (indirect)	Non trading	United Kingdom
PHS Investments Limited (formerly PHS Group Limited)	Class "A" 10p ordinary shares	100% (indirect)	Intermediate holding company	United Kingdom
	Class "B", "C", "D" and "E" 1p ordinary shares	100% (direct)		
PHS Protector BV	Authorised shares issued at BFr 100	100% (indirect)	Servicing rental and selling of hygiene equipment and consumables	Belgium

Companies incorporated in the United Kingdom are registered in England & Wales.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**11 Stocks**

	<b>Group 2001 £'000</b>	<b>Group 2000 £'000</b>
Raw materials	219	191
Finished goods	2,024	1,209
	<u>2,243</u>	<u>1,400</u>

**12 Debtors**

	<b>Group 2001 £'000</b>	<b>Group 2000 £'000</b>	<b>Company 2001 £'000</b>	<b>Company 2000 £'000</b>
Trade debtors	19,940	20,182	-	-
Amounts owed by group undertakings	-	-	1,630	1,600
Other debtors	188	290	-	-
Prepayments and accrued income	1,583	687	-	-
	<u>21,711</u>	<u>21,159</u>	<u>1,630</u>	<u>1,600</u>

**13 Creditors : amounts falling due within one year**

	<b>Group 2001 £'000</b>	<b>Group 2000 Restated £'000</b>
Borrowings – Senior Debt “A” (see note 14)	5,938	4,012
Deferred consideration loan note	565	-
Obligations under hire purchase agreements	43	93
Trade creditors	5,841	4,948
Other creditors	6,558	4,700
Corporation tax	87	385
Other taxation and social security	3,307	3,809
	<u>22,339</u>	<u>17,947</u>

The bank overdraft balance at 31 March 2000 has been restated to £nil and the cash balance at that date reduced by £11,088,000. This properly reflects the group's pooling arrangements with its principal bankers.

The deferred consideration loan note is unsecured, bears interest at variable rates and is repayable at par, at the loan note holders' request, on a date six months following the date of issue or thereafter at specified quarterly dates. If not previously redeemed, the loan note is ultimately repayable at par on 31 December 2003.



**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**11 Stocks**

	<b>Group 2001 £'000</b>	<b>Group 2000 £'000</b>
Raw materials	219	191
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	<u>2,243</u>	<u>1,400</u>

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**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**14 Creditors : amounts falling due after more than one year**

	<b>Group 2001 £'000</b>	<b>Group 2000 £'000</b>
Borrowings (see below)	282,987	263,157
Obligations under hire purchase agreements	41	140
	<b>283,028</b>	<b>263,297</b>
<b>Borrowings</b>	<b>Group 2001 £'000</b>	<b>Group 2000 £'000</b>
<b>Secured</b>		
Senior Debt "A"	52,952	58,891
Senior Debt "B"	19,810	19,657
Senior Debt "C"	33,614	24,950
Mezzanine facility	33,709	31,049
<b>Unsecured</b>		
"A" subordinated unsecured loan notes	76,241	68,418
"B" subordinated unsecured loan notes	52,580	47,185
"C" subordinated unsecured loan notes	2,045	1,835
"D" subordinated unsecured loan notes	8,368	7,759
"E" subordinated unsecured loan notes	3,668	3,413
	<b>282,987</b>	<b>263,157</b>

The "A", "B", "C", "D" and "E" loan notes bear interest at a fixed rate of 10% and are repayable at par on the 31 December 2009 or on the sale or flotation of the group if earlier. All notes are unsecured and are subordinated to the Senior Debt and Mezzanine finance.

The "A", "B" and "C" loan notes rank pari passu with one another but may not be repaid until the "D" and "E" loan notes have been redeemed or repaid in full. The "D" loan notes may not be repaid until the "E" loan notes have been redeemed or repaid in full.

The Senior Debt "A" bears interest at LIBOR plus a margin. The margin was fixed at 2% until March 2001 but subsequently may vary between 1.5% and 2%. The debt is repayable in unequal six monthly instalments that commenced in March 2000. The final instalment is due in September 2006. All outstanding amounts must be prepaid immediately on the sale or flotation of the company.

The Senior Debt "B" bears interest at LIBOR plus a fixed margin of 2.75%. The loan is repayable in two equal six monthly instalments commencing in March 2007. All outstanding amounts must be prepaid immediately on the sale or flotation of the company.

The Senior Debt "C" bears interest at LIBOR plus a fixed margin of 2.5%. The loan is repayable in unequal six monthly instalments commencing in March 2003. The final instalment is due in March 2007. All outstanding amounts must be repaid immediately on the sale or flotation of the company.

The Mezzanine facility bears interest at LIBOR plus a fixed margin of 11.25%. The loan is repayable in unequal six monthly instalments commencing in March 2003. The last payment is due in March 2007. All outstanding amounts must be prepaid immediately on the sale or flotation of the company.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**14 Creditors : amounts falling due after more than one year (continued)**

Both the Senior Debt and the Mezzanine facilities are secured by a guarantee and debenture dated 9 July 1999. Under the terms of the guarantee the security granted by the group can be summarised as follows:

Asset	Nature of Security	Value of security
All freehold and leasehold land and buildings held at 7 July 1999	First legal mortgage	Unlimited
All freehold and leasehold land acquired subsequent to 7 July 1999	Fixed charge	Unlimited
All plant and machinery	Fixed charge	Unlimited
All book debts, goodwill, intellectual property rights and cash	Fixed charge	Unlimited
All other assets	Floating charge	Unlimited

The aggregate of debts payable otherwise than by instalments and falling due after more than five years (i.e. the subordinated unsecured loan notes) is £142,902,000 (2000: £128,610,000). The aggregate of debts payable by instalments, some of which, fall due after more than five years from the balance sheet date, is £146,023,000 (2000 : £138,559,000).

Maturity profile of debt at 31 March 2001	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	In 5 years or more	2001 Total
	£'000	£'000	£'000	£'000	£'000
Deferred consideration loan note	565	-	-	-	565
10% "A" "B" "C" "D" and "E" subordinated loan notes	-	-	-	142,902	142,902
Senior debt and mezzanine finance	5,938	11,597	56,967	71,521	146,023
	<u>6,503</u>	<u>11,597</u>	<u>56,967</u>	<u>214,423</u>	<u>289,490</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**14 Creditors : amounts falling due after more than one year (continued)**

<b>Maturity profile of debt at 31 March 2000</b>	<b>Within 1 year or on demand</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>In 5 years or more</b>	<b>2000 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
10% "A" "B" "C" "D" and "E" subordinated loan notes	-	-	-	128,610	<b>128,610</b>
Senior debt and mezzanine finance	4,012	5,512	31,879	97,156	<b>138,559</b>
	<u>4,012</u>	<u>5,512</u>	<u>31,879</u>	<u>225,766</u>	<u><b>267,169</b></u>

**15 Accruals and deferred income**

Accruals and deferred income principally represents the unearned proportion of rentals receivable from customers in advance.

**16 Pensions**

The group operates a defined contribution scheme for eligible employees. Contributions by the group are charged to the profit and loss account as incurred. The total pensions costs for the period are shown in note 5.

One subsidiary in the group operated a defined benefit scheme, which was discontinued from 30 September 2000, and the group is currently in the process of winding up the scheme. The last actuarial valuation as at 31 March 2000 indicated a valuation surplus of £29,000, equivalent to an ongoing funding level of 102%. The scheme assets were sufficient to cover 120% of the scheme liabilities calculated in accordance with the Minimum Funding Requirement as at 31 March 2000. The scheme, as at 15 January 2001, had assets with a market value of £1,572,000.

**17 Minority interests**

	<b>2001 £'000</b>	<b>2000 £'000</b>
Brought Forward	(20)	-
Minority interest acquired in period	20	(16)
Profit and loss account	-	(4)
<b>Equity minority interests at 31 March</b>	<u>-</u>	<u>(20)</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**18 Called up share capital**

	2001 £'000	2000 £'000
<b>Authorised</b>		
20,500,000 (2000: 2,000,000) Ordinary shares of 1p each	<u>205</u>	<u>20</u>
<b>Allotted, Issued and Fully Paid</b>		
20,202,020 (2000: 1,980,000) Ordinary shares of 1p each	<u>202</u>	<u>20</u>

40,202 shares with a nominal value of £402 were issued during the year to Directors and some senior employees for an aggregate consideration of £40,000.

In addition, on 30 March 2001, the authorised share capital of the group was increased to £205,000 divided into 20,500,000 ordinary shares of £0.01 each. On the same date, the directors made a bonus issue out of the share premium account, of 18,181,818 ordinary shares of £0.01 each, to existing shareholders pro rata to their existing shareholdings.

**19 Statement of movement on reserves**

Group	Share Premium Account £'000	Profit and loss account £'000
At 1 April 2000 – as previously stated	1,860	(8,321)
Prior year adjustment (note 1)	-	(154)
At 1 April 2000 – restated	<u>1,860</u>	<u>(8,475)</u>
Premium on issue of shares to directors and senior employees	40	-
Bonus issue of shares	(182)	-
Currency translation differences on foreign currency net investments	-	36
Retained loss for the financial year	-	(3,342)
<b>At 31 March 2001</b>	<u><b>1,718</b></u>	<u><b>(11,781)</b></u>
<b>Company</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2000	1,860	(5)
Premium on issue of shares to directors and senior employees	40	-
Bonus issue of shares	(182)	-
Retained profit for the financial year	-	23
<b>At 31 March 2001</b>	<u><b>1,718</b></u>	<u><b>18</b></u>

A profit of £23,000 on ordinary activities after taxation arose in the company (2000: loss £5,000).

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**20 Reconciliation of movements in shareholders' funds**

	2001 £'000	2000 Restated £'000
Retained loss for the financial year	(3,342)	(8,475)
New share capital subscribed	40	1,880
Other recognised gains and losses relating to the year	36	-
	<u>(3,266)</u>	<u>(6,595)</u>
Opening shareholders' funds (originally £6,441,000 before deducting prior period adjustment of £154,000)	<u>(6,595)</u>	<u>-</u>
Closing shareholders' funds	<u>(9,861)</u>	<u>(6,595)</u>

**21 Analysis of other headings in the cash flow statement**

	2001 £'000	2000 Restated £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	-	3
Interest paid	(12,546)	(8,060)
Interest paid on hire purchase contracts	(32)	(23)
	<u>(12,578)</u>	<u>(8,080)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(8,087)	(4,125)
Proceeds of sale of tangible fixed assets	446	1,125
	<u>(7,641)</u>	<u>(3,000)</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiaries and other businesses	(14,919)	(208,325)
Acquisition expenses	(326)	(2,131)
Net (overdrafts)/cash acquired	(25)	396
	<u>(15,270)</u>	<u>(210,060)</u>
<b>Financing</b>		
Receipt of bank loans and loan stock	8,448	256,376
Repayment of bank loans	(4,500)	(47,976)
Issue of shares	40	1,880
Repayment of capital element of hire purchase contracts	(195)	(49)
	<u>3,793</u>	<u>210,231</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**22 Movements in net debt**

	At 1 April 2000 Restated £'000	Cash Flow £'000	Acquisitions £'000	Other non cash changes £'000	At 31 March 2001 £'000
Cash at bank and in hand	1,994	(1,523)	-	17	488
Bank overdrafts	-	25	(25)	-	-
	<u>1,994</u>	<u>(1,498)</u>	<u>(25)</u>	<u>17</u>	<u>488</u>
Debt due within one year					
Bank loans	(4,012)	4,500	-	(6,426)	(5,938)
Hire purchase agreements	(93)	195	(46)	(99)	(43)
Deferred consideration loan notes	-	-	-	(565)	(565)
Debts due after one year					
Bank loans	(134,547)	(8,448)	-	2,910	(140,085)
Loan notes 2009	(128,610)	-	-	(14,292)	(142,902)
Hire purchase agreements	(140)	-	-	99	(41)
	<u>(265,408)</u>	<u>(5,251)</u>	<u>(71)</u>	<u>(18,356)</u>	<u>(289,086)</u>

**23 Reconciliation of net cash flow to movement in net debt**

	£'000
Decrease in net cash during the period	(1,498)
Net overdraft acquired with subsidiaries	(25)
Cash inflow from increase in debt and lease financing	(3,753)
Change in net debt resulting from cash flows	<u>(5,276)</u>
Loans and finance leases acquired with subsidiaries	(46)
Changes in net debt resulting from non-cash changes	(18,356)
Movement in net debt in the period	<u>(23,678)</u>
Net debt at 1 April 2000	(265,408)
Net debt at 31 March 2001	<u>(289,086)</u>

The trade and assets of acquisitions made during the year are amalgamated into the existing trade of the group and therefore their effects on the reported cash flows cannot be determined.

Non-cash changes comprise £2,244,000 of amortisation of debt issue costs, £15,564,000 of interest accrued but unpaid on borrowings, £565,000 of deferred consideration loan note issued as partial consideration for an acquired business and £17,000 exchange gain.

## Notes to the financial statements for the year ended 31 March 2001 (continued)

### 24 Capital commitments

Neither the group nor the company had capital commitments at 31 March 2001 (2000: £Nil).

### 25 Acquisitions

During the year, the group acquired the entire share capital of Waterlogic (UK) Limited for consideration of £5,151,000 and the washroom business of Terminix Limited for consideration of £5,886,000.

In addition, the group acquired the entire share capital of three other companies as well as a proportion of the trade and net assets of a number of other companies and businesses for a total consideration of £7,154,000.

The assets and liabilities acquired are set out below:-

	Waterlogic (UK) Limited		
	Book value £'000	Consistency of accounting policy £'000	Fair Value £'000
Tangible fixed assets	86	(32)	54
Stock	380	-	380
Debtors	502	(29)	473
<b>Total assets</b>	<u>968</u>	<u>(61)</u>	<u>907</u>
Bank overdraft	(9)	-	(9)
Creditors	<u>(640)</u>	<u>(409)</u>	<u>(1,049)</u>
<b>Net assets/(liabilities)</b>	<u>319</u>	<u>(470)</u>	<u>(151)</u>
Goodwill			<u>5,302</u>
Consideration			<u>5,151</u>
<b>Satisfied by</b>			
Cash			3,026
Deferred cash			2,000
Acquisition expenses			<u>125</u>
			<u>5,151</u>

The adjustments to book values above comprise the following principal items:

- Write down of tangible fixed assets and debtors to their fair value based on PHS Group plc policies.
- Adjustment to creditors to reflect PHS Group plc's income recognition policy.



**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**25 Acquisitions (continued)**

	Book Value £'000	Terminix Limited Consistency of accounting policy £'000	Fair Value £'000
Tangible fixed assets	506	(148)	358
Goodwill			5,528
Consideration			5,886
<b>Satisfied by</b>			
Cash			5,859
Acquisition expenses			27
			5,886

The adjustment to book value above comprises a write down of tangible fixed assets to their fair value based on PHS Group plc policies.

The assets and liabilities acquired in other acquisitions during the year are summarised below:

	Book value £'000	Other acquisitions Fair value Adjustments £'000	Fair Value £'000
Tangible fixed assets	222	(129)	93
Intangible fixed assets	14	(14)	-
Stock	52	(33)	19
Debtors	698	(399)	299
<b>Total assets</b>	986	(575)	411
Bank overdraft	(16)	-	(16)
Creditors	(264)	(308)	(572)
<b>Net assets/(liabilities)</b>	706	(883)	(177)
Goodwill			7,331
Consideration			7,154
<b>Satisfied by</b>			
Cash			6,058
Deferred cash			357
Loan notes			565
Acquisition expenses			174
			7,154

Fair value adjustments reflect revisions to bring the net book value in line with group accounting policies, except that adjustments to intangible fixed assets reflect the write-off of acquired goodwill.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**25 Acquisitions (continued)**

The summarised profit and loss account and statement of total recognised gains and losses of Waterlogic (UK) Limited for the period from the beginning of each subsidiary's financial year, to the date of acquisition, and the previous financial year, is as shown below:-

	Period ended 13 October 2000 £'000	Year Ended 31 December 1999 £'000
Turnover	2,081	1,996
Operating profit	124	47
Profit on ordinary activities before taxation	96	29
Tax on ordinary activities	(37)	(12)
Profit on ordinary activities after taxation	59	17

Other than those in the above profit and loss account, the company had no recognised gains or losses in either period.

It is not possible to provide information similar to that above in respect of the business acquired from Terminix Limited as the acquired business formed only a proportion of the entire business of Terminix Limited.

Immediately subsequent to acquisition, the assets and liabilities of each acquired company were purchased by a group company, Personnel Hygiene Services Limited, for consideration equivalent to the fair value of the related assets and liabilities at the date of acquisition, as attributed by the company.

No indication of the contribution to the results for the year by the acquired entities can be given because the assets and liabilities purchased are combined with those of another group company, Personnel Hygiene Services Limited, and so subsequent income and expenditure relating to these acquisitions is not separately identifiable from the income and expenditure of that company.

An exception arises in the case of Waterlogic (UK) Limited because the trade acquired is separately identifiable from the other business of the group. An indication of the contribution to the results for the year by the company can be seen in note 2.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)****28 Related party transactions**

Where appropriate the company and group have taken advantage of the exemption available not to disclose any related party transactions and balances with other 90% owned or greater, group companies for the financial period.

Of the loan notes 2009 in issue, £117,583,000 are in the favour of Charterhouse General Partners (VI) limited, £299,000 in the favour of Fund Nominees Limited and £3,023,000 in the favour of Charterhouse Development Limited. During the year, interest of £12,945,000 has accrued in respect of these loan notes.

Of the loan notes 2009 in issue, £1,250,000 are in favour of the Directors. During the year, interest of £134,000 (2000: £91,000) has accrued in respect of these loan notes.

**29 Post balance sheet event**

On 6 April 2001, the group acquired the whole issued share capital of Dee-eeS Direct Supplies Limited for total consideration of £2,700,000.

At the date of signing these financial statements, the group has entered into agreement to sell its entire investment in PHS Protector BV, subject to due diligence.