

# **PHS Group Holdings Limited**

## **Annual report for the year ended 31 March 2008**

Registered no: 05402951

# **PHS Group Holdings Limited**

## **Annual report for the year ended 31 March 2008**

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## Directors and advisors

### Directors

P J Cohen  
J F Skidmore  
J S E Arnell  
S D Simpson  
G Prestia

### 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 and advisors (continued)

### Directors and Senior Management

**P J Cohen**

Peter Cohen joined PHS as Chief Executive in April 1998. Prior to this, he held the position of Chief Executive of Holt Lloyd Group Limited, a manufacturer and marketer of consumer care products, from 1991 to 1998. He was President of Power Conversion Inc./Crompton Eternacell from 1989 to 1991 and before that was Managing Director of Crompton Vidor Limited and Hawker Siddeley Dynamics Engineering.

**J F Skidmore**

John Skidmore joined the Board of PHS as Finance Director in October 2002, having previously held the post of Group Financial Controller for six years. Before joining PHS, he was an audit manager with Deloitte & Touche, where he had previously qualified as a Chartered Accountant.

**J S E Arnell**

James Arnell joined Charterhouse in 1997 from Bain & Company where he worked as a consultant in Europe, the US and Australia for four years. Since joining Charterhouse, he has worked on a number of transactions, including PreCon, Cegelec, PHS, TDF, Saga, Elior and most recently Groupe Fives-Lille. He is a non-executive director on the boards of TDF, Saga, PHS, Elior and Fives-Lille. James is an honours graduate in Law from Downing College, Cambridge University and has qualified as a barrister.

**S D Simpson**

Stuart Simpson has been with the Firm since 1985, becoming a Director in 1988. A London Business School MBA graduate, he has extensive experience executing multi-jurisdictional transactions and focuses on the Firm's origination activities in the business services sector. He led the CCP VIII purchase of Ista and the CCP VII purchases of Autobar and the public-to-private buyout of PHS. He is Chairman of both of these route-based support services companies. Earlier buyouts include Miracle Garden Care, now part of the Scotts group of garden products companies, and Intertek, now listed within the FTSE250 support services sector, where he chaired the audit and remuneration committees.

**G Prestia**

Giuseppe Prestia joined Charterhouse in 2004 having previously worked for McKinsey & Co in London and obtaining an MBA (with honours) from INSEAD. Since joining he has worked on a number of transactions including Tunstall, the PHS Group and Levantina Natural Stone. He works on UK and Continental European investments, with particular focus on Southern Europe. In 2008, Giuseppe was elected Partner.

**Directors' report  
for the year ended 31 March 2008**

The Directors present their annual report and the audited financial statements for the year to 31 March 2008.

**Business review and principal activities**

The Company is a holding company for a group of companies that provide workplace services.

**Business overview**

An analysis of the group's turnover and operating profit, by class of business, is set out below:

<b>Hygiene</b>	<b>Waste Management</b>	<b>Other Office Services</b>
<hr/> <p><b>£164.8m turnover</b> (+4.5%)</p> <p><b>£73.1m operating profit before central costs</b> (+1.5%)</p> <hr/> <p>The hygiene division comprises the following businesses:</p> <p>Washroom – supply and service of washroom equipment in UK and Ireland;</p> <p>PHS Direct – washroom consumables sales;</p> <p>Treadsmart – supply and service of standard and speciality mats.</p> <hr/> <p>1,674 employees</p> <hr/>	<hr/> <p><b>£89.4m turnover</b> (+21.8%)</p> <p><b>£23.8m operating profit before central costs</b> (+24.1%)</p> <hr/> <p>The waste management division comprises the following businesses:</p> <p>All Clear - clinical waste collection and disposal;</p> <p>Wastetech – collection and transfer of commercial waste;</p> <p>Datashred - confidential and non-confidential paper waste disposal;</p> <p>Orwak – supply and service of waste compactors and bailers;</p> <p>Wastemanagement – niche waste disposal business.</p> <hr/> <p>679 employees</p> <hr/>	<hr/> <p><b>£51.6m turnover</b> (+26.4%)</p> <p><b>£15.8m operating profit before central costs</b> (+44.5%)</p> <hr/> <p>Other office services comprises the following businesses:</p> <p>Waterlogic – supply and service of point-of-use and bottled water drinking dispensers in UK, Ireland, Netherlands and Belgium;</p> <p>Greenleaf – supply and service of live and replica plants;</p> <p>Teacrate – provision of plastic crates and pallets to the office and commercial moving market;</p> <hr/> <p>777 employees</p> <hr/>

**Key performance indicators**

The key performance indicators of the group are summarised below.

	<b>2008</b>	<b>Change</b>
	<b>£m</b>	<b>v 2007</b>
Turnover	305.8	+ 12.5%
Operating profit before central costs	112.7	+10.3%
Operating profit before exceptional items	88.2	+12.3%
Operating profit before exceptional items margin	28.8%	-0.1%
Adjusted profit before taxation	12.2	+3.8%
Net cash inflow from operating activities less capital expenditure	85.1	+11.8%
Operating profit cash conversion ratio	121.1%	+5.1%

## Directors' report for the year ended 31 March 2008 (continued)

### Financial review

#### *Results for the year*

PHS has increased turnover by 12.5% to £305.8m (2007: £271.9m) and operating profit before exceptional costs by 12.3% to £88.2m (2007: £78.5m). Exceptional items relating to the integration of acquisitions of £2.0m (2007: 1.0m) were incurred in the year, leading to an increase of 11.1% in operating profit to £86.2m (2007: £77.6m).

The adjusted pre-tax result for the financial year before interest payable on shareholder loan notes and one-off amortisation charges has increased by 3.8% to £12.2m (2007: £11.8m). Net interest payable for the financial year is £124.4m (2007: £110.9m), resulting in a pre-tax loss of £38.2m (2007: £33.3m). Included in the interest charge, are amounts payable on shareholder loan notes of £38.3m (2007: £45.1m) and one-off accelerated amortisation charges relating to issue costs arising from a refinancing of the group during the year of £12.2m (2007: £nil).

Before interest payable on shareholder loan notes and one-off amortisation charges, the result is a profit of £12.6m (2007: £7.5m). The tax credit for the period was £0.3m (2007: £4.3m), resulting in a loss for the financial year after taxation of £37.9m (2007: £37.6m).

#### *Cash flow and net debt*

Net cash inflow from operating activities has increased by 16.0% to £104.3 million (2007: £90.0 million). The operating profit cash conversation ratio has improved to 121.1% for 2008 (2007: 116.0%) due to further improvements in the management of working capital and in particular improvements made in processes to collect cash from customers.

Net debt has increased by £132.2m in the year to £1,072.3m at 31 March 2008, largely due to additional bank borrowings. The Group refinanced its bank borrowings on 31 July 2007, repaying bank debt totalling £687.1m due under the old facilities and £123.5m of shareholder loan notes utilising replacement bank borrowings under the new facilities. Details of these new facilities are provided in note 14 to the financial statements.

The operating cash flows and additional borrowings have been used to service the existing debt and fund the Group's acquisitions and other capital expenditure.

#### *Acquisitions and capital expenditure*

PHS has spent £73.1m on 27 acquisitions in 2008 resulting in an additional £82.9m goodwill being capitalised. A full list of acquisitions is given in note 23 to the financial statements and none are considered to be individually material to the Group.

Acquisition activity has continued to focus on business areas characterised by low-technology, high margin growing markets where there is fragmented competition and a large volume of customers requiring rental, service and maintenance on long-term contracts, spending relatively low sums of money. These businesses typically require low capital investment and are strongly cash generative.

The acquisitions of Rentacrate and Quickcrates have approximately doubled the size of our Teacrate business, whilst the acquisition of Ancove has expanded our Orwak business into Ireland. A number of acquisitions in the Waterlogic business have consolidated our position of number one in the UK point of use drinking dispensers market. The acquisition of Datasafe at the end of the year has taken us into a new business area, document and storage retrieval. This market fits with our acquisition criteria and is expected to grow over the next few years driven by compliance/regulation and availability of office space.

## Directors' report for the year ended 31 March 2008 (continued)

### Business review

#### *Hygiene*

Turnover for the division has increased by 4.5% to £164.8m (2007: £157.7m) and operating profit before central costs by 1.5% to £73.1m (2007: £72.1m).

PHS has continued to develop new products that are both environmentally friendly and offer better value for money to our customers. A range of new water saving devices has been launched during the year, for example, the Flush-Wiser which will save up to a third of the water each time a toilet is flushed and a high-speed, low-energy consumption hand dryer. In order to showcase the latest environmentally friendly products PHS Washrooms has launched its new website [www.phswaterandenergysavings.co.uk](http://www.phswaterandenergysavings.co.uk). The website offers users the opportunity to learn more about our water and energy saving products, calculate the savings that can be made by installing them and download brochures.

PHS Treadsmart benefited from the acquisition of Floor Protection Services at the end of April 2007. This acquisition added the Syncros brand to the Treadsmart product range as well as adding a significant Cabinet Roller Towel operation, which strengthened our in-house laundry facilities.

#### *Waste management*

Turnover for the division has increased by 21.8% to £89.4m (2007: £73.1m) and operating profit before central costs by 24.1% to £23.8m (2007: £19.2m). The operating profit margin has increased to 26.6% from 26.1%.

This significantly improved performance has been achieved through high organic growth supported by value-enhancing acquisitions. The quality and reliability of the service offered by All Clear differentiates PHS from our competitors in that market and enables strong organic growth in this business area. The expansion of Datashred to provide full UK coverage in the provision of both on-site and off-site servicing has driven the organic growth in this market.

There have been a number of bolt on acquisitions during the year, most notably Recyclite and Maxitech. Recyclite, part of our Wastemanagement portfolio of niche businesses, is a business which recycles discharge lamps and fluorescent lamps. Maxitech, which recycles redundant computer equipment, is included within our Datashred business.

#### *Other office services*

Turnover for the division has increased by 26.4% to £51.6m (2007: £40.9m) and operating profit before central costs by 44.5% to £15.8m (2007: £10.9m). The operating profit margin has increased to 30.5% from 26.6%.

This significant growth has largely been driven through both organic and acquisition growth of the Waterlogic and Teacrate businesses where the acquisitions made have been integrated efficiently to generate operational synergies at an early stage contributing to an improvement in margin.

## Directors' report for the year ended 31 March 2008 (continued)

### Outlook and future development

We will continue to focus on becoming the best workplace services provider in the UK and Ireland, offering quality and value to our customers and a challenging, rewarding career for all our employees. It is our intention to continue to grow the business profitably through the further development of services and products, improving productivity and process efficiency, supplemented by further bolt-on acquisitions in the UK and Ireland.

At the end of the financial year we acquired Datasafe, a business that provides document management services to a blue chip customer base. This is a new market for PHS and is in line with our acquisition strategy.

Since the end of the financial year we have acquired 5 businesses at a cost of £31.6m, as detailed below:

- Epsilon Test Services is the UK market leader in Electrical Safety Testing and utilises a national network of engineers and sales staff through their central head office based in Gloucester. This is a complimentary division within the PHS Group, broadening our existing service offering
- Air-O-Matic is a washroom business based in Ireland which will increase our penetration of washroom services in this region
- Lime, Confishred and On-Time Destruction are all bolt on acquisitions to our existing Datashred business which add to our national network. Confishred is based in Telford and provides a presence in the Midlands

In addition to the acquisitions highlighted above, there are new product and service launches planned in each business during the next 12 months which, together with the great team of people and the numerous initiatives in place throughout the Group, will ensure that we will have another year of profitable growth ahead.

### Principal risks and uncertainties

The principal risks and uncertainties that are felt to impact the Group relate to competition from competitors and retention of employees.

### Financial risk management

The Group's operations expose it to a variety of financial risks that include financing and treasury exposures relating to the management of debt servicing, the financing of acquisitions and tangible fixed assets, working capital management and foreign exchange movements.

The Group has in place a risk management programme to limit any adverse effect on its financial performance resulting from interest rate changes. In order to ensure interest cash flow stability, the policy is that the interest cost on a significant proportion of the Group's debt is at fixed rate. In line with this policy, the interest rate on £600m of bank borrowings has been fixed through an interest rate hedge that is described further in note 14 to the financial statements and from 30 September 2008, the amount hedged in this way will increase to £800m.

The Board have assessed the risk of exchange rate movements having significant effect on the profits and cash flows of the Group to be low due to the size of its overseas operations in relation to the Group as a whole and relative stability of the currencies involved. For this reason, it has been decided not to undertake any foreign exchange hedges at this time.

The strategy is to finance the ongoing acquisition programme through a combination of bank borrowings and internally generated cash. Effective working capital management forms an important part of maximising the amount of internally generated cash available. Control of trade debtors is a key element in this area with comprehensive credit control procedures and regular debt monitoring by the Board helping efficient conversion of turnover to cash.

Cash is retained as long as is consistent with complying with negotiated payment terms to suppliers. Stock levels are monitored to achieve the desired balance between holding sufficient to meet demand whilst not tying up any more cash than necessary.

## Directors' report for the year ended 31 March 2008 (continued)

### Substantial interests and Share capital

The company is majority owned and controlled by funds managed by Charterhouse General Partners (VII) who acquired the group in September 2005.

### Directors

The Directors of the Company at 31 March 2008 are listed on page 1. Biographical information on the current directors of the company, including their ages and their dates of appointment, is shown on 2. No other Director served at any time during the year. J S E Arnell, S D Simpson and G Prestia represent the interests of Charterhouse General Partners VII on the Board.

### 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 Company does not trade and consequently cannot disclose an average creditors' payment period. The Group's average payment period was 42 (2007: 48) days.

### Employees

We believe that the quality of our people is the most important differentiator between PHS and our competitors and we remain committed to their personal development through investment in training. We aim to link personal development objectives with those of the Group to benefit our customers and shareholders as well as the employees themselves. PHS has an Investors in People (IIP) accredited in-house training and development department to drive this commitment in this area.

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.

The Group communicates with its employees through the PHS intranet, which is regularly updated with latest developments and actively encourages the use of forums through which issues can be debated and communicated upwards to senior management and Directors. Employees are encouraged to contribute to the growth of the Group by communicating all sales leads to a dedicated team and are remunerated accordingly where their leads are converted.

Additionally, the Group runs a suggestion scheme where all employees are encouraged to put forward their views and ideas on any subject which they believe there will be a benefit. These suggestions are reviewed by the Chief Executive on a regular basis and implemented where appropriate. These measures are designed to motivate employees to play an active role in the success and development of PHS and keep them fully updated on the latest developments.

### Research and development

Technical development is considered an important part of the Group's ongoing advancement. Resources are employed in the development of new products or improving existing products to continuously improve the range and quality that we offer our customers.

All such expenditure is charged to the profit and loss account as incurred.

## Directors' report for the year ended 31 March 2008 (continued)

### Post balance sheet events

Details of all material post balance sheet events are given in note 26 to these financial statements.

### Corporate and social responsibility

The Board recognises its environmental, health & safety and employment responsibilities and devotes significant resources towards monitoring compliance with and improving existing standards. The Chief Executive has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

#### *In-house resource*

PHS employs five permanent staff with responsibility for environmental, health and safety matters whose primary responsibility is to monitor the Group's performance in these areas. In addition to providing training for others, these individuals have themselves been extending their knowledge. Two senior members of the team are now Chartered Members of the Institute of Occupational Safety and Health, the departmental manager is now a Chartered Environmentalist and a member of the Chartered Institute of Waste Management. Three members of the team are dangerous goods safety advisors.

Responsibility for environmental, health and safety matters is now integrated with systems under combined management. This has increased the effectiveness across the Group and improved operational efficiency.

Due diligence on potential acquisitions is carried out and surveys of new acquisitions made in order to identify areas where improvement is required to meet the Group's standards.

During the year, the impact of forthcoming legislation has been assessed to ensure the Group's working practices remain in line with the latest legislative requirements. Specific items of legislation considered included the International Carriage of Dangerous Goods by Road ("ADR") 2007, and the Environmental Permitting Regulations 2007.

The Group has good links with organisations such as the Freight Transport Association ("FTA"), Chartered Institute of Waste Management ("CIWM"), Scottish Qualifications Authority ("SQA") and Sanitary & Medical Disposal Services Association ("SMDSA"). These links help to ensure that the Group is consulted over changes affecting our operations and also enables the Group to offer constructive advice and opinion on behalf of our sector of the waste industry. PHS is involved with the CIWM & IOSH Healthcare Special Interest Group, IOSH Transport & Distribution Special Interest Group and the Wales Manufacturing Forum.

#### *Environmental*

The Group remains committed to operating in an environmentally responsible manner and displays its environmental policy prominently on the intranet. The policy is available to stakeholders on request.

More than 60% of the Group's business is certified to ISO 14001, the international standard for environmental management systems. External audits are required to maintain this accreditation.

Our in-house resource continues to audit waste management procedures and practices throughout the Group. This process included audits of contractors who collect waste on behalf of the Group and of the disposal sites used, to verify their compliance with current best practice and legislative requirements.

During the year, the Group launched a WAVE initiative designed to reduce our carbon footprint and our wider environmental impact by focusing on areas of Water, Air, Waste and Energy. Under this initiative, the Company's performance is measured every period down to site level, and every division is challenged to develop and implement plans that are reviewed as part of the business planning processes.

## **Directors' report for the year ended 31 March 2008 (continued)**

### **Corporate and social responsibility (continued)**

#### *Health & Safety*

The Group is committed to providing for the health, safety and welfare of all its employees. Every effort is made to ensure that the requirements of the Health and Safety at Work Act 1974 and all other relevant regulations and codes of practice are complied with at all times. The Group's health and safety policy is displayed prominently on the intranet and is available to stakeholders on request.

The Group has well-established health and safety systems. Training in health & safety issues is a routine part of employee and management development and there is a comprehensive audit process covering safety management and risk control.

During the year, the Group established mandatory health and safety training standards for managers and safety representatives involving IOSH accredited courses.

During the last four years, there has been an encouraging reduction in the number of motor accidents following the introduction of a new initiative launched in 2004. This initiative established guidelines on minimum recruitment standards, individual driver assessment, comprehensive training, improved accident reporting and investigation.

#### *Employees*

PHS is committed to achieving equal opportunities and to complying with the race relations, sex discrimination, disability discrimination and rehabilitation of offenders' acts. In addition, employees are encouraged to train and develop their careers. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, marital status, race, religion, age or disability.

We are also committed to ensuring that any allegations of malpractice within the organisation are taken extremely seriously and have developed a procedure whereby employees can bring any such allegations to the attention of management or, if necessary, make a public disclosure in confidence and without fear of reprisals.

### **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 period ended 31 March 2008 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.

### **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.

**Directors' report  
for the year ended 31 March 2008 (continued)**

**Auditors**

The 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.

**By order of the board**

*J F Skidmore*

**John Skidmore  
Company Secretary**

# **Independent auditors' report to the members of PHS Group Holdings Limited**

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We have audited the Group and Parent Company financial statements (the "financial statements") of PHS Group Holdings Limited for the year ended 31 March 2008 which comprise the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Group and Company balance sheets, Consolidated cash flow statement 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 Annual report and 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 Group's and 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.

**Independent auditors' report  
to the members of PHS Group Holdings Limited (continued)**

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**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 Group's and the Parent Company's affairs as at 31 March 2008 and of the Group's loss and cash flows 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***

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff  
31 July 2008

## Consolidated profit and loss account for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Turnover	2	<u>305,836</u>	<u>271,944</u>
<b>Operating profit before exceptional items</b>	2	<b>88,188</b>	78,522
Exceptional items	2	(2,032)	(967)
<b>Operating profit</b>	2, 3	<b>86,156</b>	77,555
Interest receivable and similar income		446	387
Interest payable and similar charges	5	<u>(124,846)</u>	<u>(111,255)</u>
<b>Adjusted profit on ordinary activities before taxation</b>		<b>12,241</b>	11,782
Accelerated amortisation of issue costs	5	(12,203)	-
Interest payable on shareholder loan notes	5	(38,282)	(45,095)
<b>Loss on ordinary activities before taxation</b>		<b>(38,244)</b>	(33,313)
Tax on loss on ordinary activities	6	<u>323</u>	<u>(4,288)</u>
<b>Adjusted retained profit for the financial year</b>		<b>12,564</b>	7,494
Accelerated amortisation of issue costs	5	(12,203)	-
Interest payable on shareholder loan notes	5	(38,282)	(45,095)
<b>Retained loss for the financial year</b>	17	<u><u>(37,921)</u></u>	<u><u>(37,601)</u></u>

The result for 2008 is in respect of continuing operations, which include the results of acquisitions made during the year. It is not practicable to determine the post-acquisition turnover and operating profit of businesses acquired during the year because the trade and assets of the companies or businesses acquired are incorporated into the existing trade and assets of the Group, therefore their post-acquisition results are not separately identifiable. An indication of post-acquisition turnover is given in note 2.

There are no material differences between the retained loss for the financial years stated above and their historical cost equivalents.

**Consolidated statement of total recognised gains and losses  
for the year ended 31 March 2008**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Retained loss for the financial year	<b>(37,921)</b>	(37,601)
Currency translation differences	<b>1,787</b>	(237)
<b>Total recognised gains and losses since previous Annual report</b>	<b><u>(36,134)</u></b>	<b><u>(38,146)</u></b>

**Balance sheets**  
**As at 31 March 2008**

	Note	<u>Group</u>		<u>Company</u>	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	7	<b>950,097</b>	865,387	-	-
Tangible assets	8	<b>64,831</b>	60,632	-	-
Investments	9	-	-	<b>50</b>	50
		<u><b>1,014,928</b></u>	<u>926,019</u>	<u><b>50</b></u>	<u>50</u>
<b>Current assets</b>					
Stocks	10	<b>9,243</b>	8,748	-	-
Debtors	11	<b>80,175</b>	72,918	<b>371,808</b>	276,199
Cash		<b>12,125</b>	46,223	-	1,157
		<u><b>101,543</b></u>	<u>127,889</u>	<u><b>371,808</b></u>	<u>277,356</u>
<b>Creditors:</b> amounts falling due within one year	12	<u><b>(120,605)</b></u>	<u>(118,699)</u>	<u><b>(729)</b></u>	<u>(729)</u>
<b>Net current (liabilities)/assets</b>		<u><b>(19,062)</b></u>	<u>9,190</u>	<u><b>371,079</b></u>	<u>276,627</u>
<b>Total assets less current liabilities</b>		<u><b>995,866</b></u>	<u>935,209</u>	<u><b>371,129</b></u>	<u>276,677</u>
<b>Creditors:</b> amounts falling due after more than one year	13	<u><b>1,080,503</b></u>	<u>983,712</u>	<u><b>386,115</b></u>	<u>333,728</u>
<b>Capital and reserves</b>					
Called up share capital	16	<b>8,000</b>	8,000	<b>8,000</b>	8,000
Share premium account	17	<b>3,000</b>	3,000	<b>3,000</b>	3,000
Profit and loss account	17	<u><b>(95,637)</b></u>	<u>(59,503)</u>	<u><b>(25,986)</b></u>	<u>(68,051)</u>
<b>Equity shareholders' deficit</b>	2, 18	<u><b>(84,637)</b></u>	<u>(48,503)</u>	<u><b>(14,986)</b></u>	<u>(57,051)</u>
		<u><b>995,866</b></u>	<u>935,209</u>	<u><b>371,129</b></u>	<u>276,677</u>

The financial statements on pages 13 to 40 were approved by the Board of Directors on 30 July 2008 and were signed on its behalf by:

***J F Skidmore***

**J F Skidmore**  
**Director**

### Consolidated cash flow statement for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		<b>86,156</b>	77,555
Depreciation		<b>17,790</b>	16,817
Loss/(Profit) on disposal of tangible fixed assets		<b>55</b>	(106)
Decrease/(Increase) in stocks		<b>1,096</b>	(1,357)
Decrease/(Increase) in debtors		<b>1,006</b>	(1,196)
Decrease in creditors		<b>(1,787)</b>	(1,759)
<b>Net cash inflow from operating activities</b>		<b>104,316</b>	89,954
Returns on investments and servicing of finance	19	<b>(87,751)</b>	(34,907)
Taxation		<b>(729)</b>	(1,711)
Capital expenditure	19	<b>(19,230)</b>	(13,809)
Acquisitions	19	<b>(70,916)</b>	(38,554)
<b>Cash (outflow)/inflow before financing</b>		<b>(74,310)</b>	973
Financing	19	<b>40,113</b>	40,833
<b>(Decrease)/Increase in cash</b>	20, 21	<b>(34,197)</b>	41,806

## Notes to the financial statements for the year ended 31 March 2008

### 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 and except for the treatment of the amortisation of goodwill described below, comply with the Companies Act 1985. An explanation for this departure from the requirements of the Companies Act is given below.

#### Accounting policies

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

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

#### Basis of consolidation

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

The Directors have taken advantage of the exemption conferred by section 230(4) of the Companies Act 1985 and not presented a profit and loss account for the parent company alone.

#### Income recognition

Turnover comprises the invoiced value of goods sold (which is recognised on despatch) and the rentals receivable on operating leases (as described further below), exclusive of value added tax.

#### Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

#### Operating leases

##### i) As lessor

Assets on rental and service contracts are capitalised and depreciated as noted below. Rentals receivable are credited to the profit and loss account over the lease term, on a straight-line basis from the date of inception. 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.

#### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any directly attributable incidental expenses.

Depreciation is calculated to write-off the cost of each tangible fixed asset on a straight-line basis, over its expected useful economic life. The principal annual rates of depreciation used are:

Freehold land	-	Not depreciated
Freehold property	-	50 years
Short leasehold property	-	Lease term
Equipment at customers' premises	-	1 to 12.5 years
Other equipment and vehicles	-	3 to 10 years
Tooling	-	4 years

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)****1 Principal accounting policies (continued)****Goodwill**

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

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 goodwill. Where it is considered that the value of the business or goodwill has a measurable economic life, any related goodwill would be amortised through the profit and loss account by equal instalments over such 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.

FRS10 permits goodwill to be assigned an indefinite life and consequently not be amortised, provided that the durability of the related businesses can be demonstrated to justify such a life. The Board believes the businesses acquired to date meet the durability criteria set out in the standard.

The durability of our business and the businesses that we have acquired is characterised by factors such as the stability of the sector, low technology, long lifespan of services and products, high sustainable demand and high barriers to entry.

The nature of our acquired businesses, the markets in which they and we operate and the synergy benefits that occur from adding the acquired business' coverage to those of the existing Group, mean that the consolidated goodwill should have an indefinite economic life providing that we continue to run the business as effectively as we have in the past.

In these special circumstances, it is the economic consequences of acquisition that drive value rather than individually what has been acquired. As a result, there is no individual aspect of the acquisition that will diminish over time. Therefore, arbitrarily amortising goodwill would not reflect the economics of the business. 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 financial year of which it arises.

The Group has acquired a number of businesses in the year as detailed in note 23. The Directors have reviewed these acquisitions and consider that the businesses and associated goodwill have an indefinite useful economic life and the goodwill is therefore not being amortised.

This treatment represents a departure from the requirements of the Companies Act 1985, which does not permit an indefinite useful economic life. The departure is, however, in the opinion of the Directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards. If the goodwill were amortised over a 20-year period, the profit before tax for the year ended 31 March 2008 would be reduced by £45,621,000 (2007: £42,601,000), with a corresponding reduction in reserves and intangible assets. The cumulative amount that would have been written off against reserves is £109,827,000.

**Investments**

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

**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 is based on a FIFO measure and includes labour, materials, transport and directly attributable overheads.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)****1 Principal accounting policies (continued)****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 as finance costs to the profit and loss account together with the coupon on a constant yield basis over the term of the borrowings (or over a shorter period where the lender can require earlier payment).

**Finance leases**

Leasing agreements (including equivalent hire purchase or finance agreements) which transfer substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The asset is included in fixed assets and the capital element of the leasing commitments shown within 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 outstanding. Assets held under finance leases are depreciated over the useful economic lives of the equivalent owned assets, or period of lease if shorter.

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

**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.

**Foreign exchange****i) Overseas subsidiaries**

The results of overseas subsidiaries are translated at the average exchange rate for the year. The assets and liabilities of such undertakings are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising on the results for the year and retranslation of opening net assets are recorded as movements on reserves.

**iii) Foreign currency transactions**

Transactions expressed in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the balance sheet date. Any differences are taken to the profit and loss account.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**1 Principal accounting policies (continued)**

**Pension costs**

The Group operates defined contribution pension schemes for eligible employees. Pension costs represent contributions payable to the schemes for the period.

Along with the acquisition of Warner Howard Group Limited on 31 October 2005, the Group acquired a pension plan with both a defined benefit and money purchase element.

Contributions to the defined benefit section of the Warner Howard Limited Pension and Life Assurance Plan are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. Future accrual in respect of the defined benefit section ceased on 31 December 2002.

The net pension asset is not recognised in the financial statements, as it does not meet the FRS17 criteria that permits recognition only where the asset is recoverable. The asset is only deemed to be recoverable where the surplus can either be used to offset future contributions or refunds are payable to the Group. The surplus on this scheme does not meet these criteria and therefore is not recognised as an asset in these financial statements.

**Financial instruments**

The Group uses derivative financial instruments to hedge its exposures to fluctuations in interest rates on bank borrowings. Instruments accounted for as hedges are designated as such at the inception of the contracts. Receipts and payments on these instruments are recognised on an accruals basis over their life.

**2 Turnover and segmental reporting**

An analysis of the Group's turnover, by type, is set out below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Contractual	<b>242,559</b>	223,372
Non-contractual	<b>63,277</b>	48,572
	<b><u>305,836</u></b>	<u>271,944</u>

An analysis of the Group's turnover and operating profit, by class of business, is set out below:

	<u>2008</u>			<u>2007</u>		
	Turnover	Operating profit	<i>Profit margin</i>	Turnover	Operating profit	<i>Profit margin</i>
	£'000	£'000		£'000	£'000	
Hygiene	164,846	73,141	44.4%	157,749	72,096	45.7%
Waste Management	89,347	23,773	26.6%	73,336	19,150	26.1%
Other office services	51,643	15,742	30.5%	40,859	10,872	26.6%
	<b>305,836</b>	<b>112,656</b>	36.8%	271,944	102,118	37.6%
Ongoing central costs	-	(24,468)		-	(23,596)	
	<b>305,836</b>	<b>88,188</b>	28.8%	271,944	78,522	28.9%
Exceptional central costs:						
<i>Integration of acquisitions</i>	-	(2,032)		-	(967)	
	<b>305,836</b>	<b>86,156</b>	28.2%	271,944	77,555	28.5%

Exceptional central costs include expenditure on the integration of acquisitions into the Group's existing operations including redundancy costs, payments for termination of leases and other restructuring costs.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**2 Turnover and segmental reporting**

As explained on the face of the profit and loss account, continuing operations include the results of acquisitions made in the year because it is not practicable to determine the post-acquisition turnover and operating profit of businesses acquired in the year. However, in respect of turnover alone, the Directors believe that an indication of the contribution from acquisitions in the year can be given, based upon pre-acquisition turnover. Acquisitions in the year have contributed approximately £22.2m (2007: £15.0m).

An analysis of the Group's net liabilities at 31 March, by class of business, is set out below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Hygiene	<b>614,041</b>	622,034
Waste Management	<b>216,109</b>	188,593
Other office services	<b>156,410</b>	81,393
	<b>986,560</b>	892,020
Less: Group net debt	<b>(1,072,338)</b>	(940,103)
Less: Taxation	<b>1,141</b>	(420)
	<b>(84,637)</b>	(48,503)

Turnover and operating profit are principally earned and sourced, and net liabilities principally located, in the UK and Ireland.

**3 Net operating expenses and operating profit**

An analysis of the Group's net operating expenses is set out below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Change in stocks	<b>(17)</b>	(1,357)
Own work capitalised	<b>(5,558)</b>	(3,937)
Raw materials and consumables	<b>33,004</b>	29,375
Employee costs (note 4)	<b>95,272</b>	84,194
Depreciation	<b>17,790</b>	16,817
Other operating charges	<b>79,189</b>	69,297
	<b>219,680</b>	194,389

Included within depreciation above is £359,000 (2007: £385,000) of depreciation on assets held under hire purchase agreements.

Operating profit is stated after charging/(crediting):	<b>2008</b>	2007
	<b>£'000</b>	£'000
Rentals under operating leases:		
Land and buildings	<b>4,713</b>	4,931
Plant and machinery	<b>7,493</b>	6,262
Property rents receivable	<b>(179)</b>	(152)
Grant income	<b>-</b>	(188)
Loss/(Profit) on disposal of tangible fixed assets	<b>55</b>	(106)

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

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

Amounts paid to auditors in the period are set out below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Audit services	<b>100</b>	100
Non-audit services		
- Tax compliance	<b>39</b>	63
- Further assurance services	<b>18</b>	1
	<u><b>157</b></u>	<u>164</u>
Fees capitalised within goodwill relating to financial due diligence	<b>576</b>	358
	<u><b>733</b></u>	<u>522</u>

**4 Directors and employees**

Directors' emoluments for the financial year comprise:	<b>2008</b>	2007
	<b>£'000</b>	£'000
Salaries for management services	<b>984</b>	904
Other emoluments (including benefits in kind)	<b>30</b>	29
	<u><b>1,014</b></u>	<u>933</u>
Contributions to money purchase pension schemes	<b>112</b>	107
	<u><b>1,126</b></u>	<u>1,040</u>

Retirement benefits are accruing under a money purchase pension scheme to 2 current Directors.

Amount above include emoluments to the highest paid Director of:	<b>2008</b>	2007
	<b>£'000</b>	£'000
Salaries for management services	<b>705</b>	616
Other emoluments (including benefits in kind)	<b>15</b>	13
	<u><b>720</b></u>	<u>629</u>
Contributions to money purchase pension schemes	<b>80</b>	77
	<u><b>800</b></u>	<u>706</u>

The average monthly number of persons (including executive directors) employed by the Group in the year is shown below.

	<b>2008</b>	2007
	<b>Number</b>	Number
Administration	<b>762</b>	722
Sales	<b>606</b>	601
Service	<b>2,537</b>	2,273
	<u><b>3,905</b></u>	<u>3,596</u>

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**4 Directors and employees (continued)**

Employee costs for the above persons were:	<b>2008</b>	2007
	<b>£'000</b>	£'000
Wages and salaries	<b>85,688</b>	75,720
Social security costs	<b>8,375</b>	7,383
Other pension costs	<b>1,209</b>	1,091
	<b>95,272</b>	84,194

**5 Interest payable and similar charges**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
On bank loans and overdrafts	<b>67,477</b>	59,005
Amortisation of issue costs		
- Normal	<b>6,600</b>	6,976
- Accelerated	<b>12,203</b>	-
On shareholder loan notes	<b>38,282</b>	45,095
On other loan notes	<b>226</b>	103
On hire purchase agreements	<b>58</b>	76
	<b>124,846</b>	111,255

Bank interest payable and receivable have been netted off to reflect the substance of the Group's banking arrangements.

**6 Tax on loss on ordinary activities**

*(a) Analysis of (credit)/charge in the financial year*

The taxation (credit)/charge is made up as follows:	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Current tax</b>		
UK corporation tax on loss for the financial year	-	547
Adjustments in respect of prior financial year	<b>(38)</b>	29
Overseas tax	<b>232</b>	149
	<b>194</b>	725
<b>Deferred tax</b>		
UK in respect of current financial year	<b>447</b>	3,303
Adjustments in respect of prior financial year	<b>(1,150)</b>	91
Pension cost relief in excess of pension cost charge	<b>122</b>	169
Overseas tax	<b>64</b>	-
	<b>(517)</b>	3,563
	<b>(323)</b>	4,288

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**6 Tax on loss on ordinary activities (continued)**

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

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Loss before taxation	<u>(38,244)</u>	<u>(33,313)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 30%	<b>(11,473)</b>	(9,994)
Effects of:		
Temporary differences between taxable and accounting profit:		
Accelerated capital allowances	<b>1,235</b>	(1,055)
Losses	<b>(357)</b>	(1,169)
Other short-term timing differences	<b>(1,325)</b>	(1,079)
Pension cost relief in excess of pension cost charge	<b>(122)</b>	(169)
Lower tax rates on overseas' profits	<b>(308)</b>	(221)
Adjustments in respect of prior financial year	<b>(37)</b>	29
Permanent differences	<u><b>12,581</b></u>	<u>14,383</u>
<b>Current tax charge for the period (note 6(a))</b>	<u><b>194</b></u>	<u>725</u>

*(c) Deferred tax*

The deferred tax asset is made up as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Accelerated depreciation over capital allowances	<b>3,417</b>	1,364
Short-term timing differences	<b>(1,055)</b>	(665)
Capital gains/revaluations	<b>(249)</b>	(249)
Tax losses carried forward	<b>55</b>	152
<b>Total deferred tax asset (note 11)</b>	<u><b>2,168</b></u>	<u>602</u>

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**6 Tax on loss on ordinary activities (continued)**

The movement on the deferred tax asset is as follows:

	<u>Group</u> 2008 £'000	2007 £'000
Opening asset	602	1,575
Transferred from acquired companies	1,041	2,592
Profit and loss account	517	(3,563)
Foreign exchange differences	8	(2)
<b>Closing asset</b>	<b>2,168</b>	<b>602</b>

**7 Intangible fixed assets**

<u>Group</u>	<b>Purchased Goodwill £'000</b>
<b>Cost and net book value</b>	
On 1 April 2007	865,387
Adjustments to prior year provisional fair values	(204)
Additions	82,890
Foreign exchange differences	2,024
<b>At 31 March 2008</b>	<b>950,097</b>

Additions represent the purchase of goodwill associated with the Group's acquisition of subsidiary undertakings and unincorporated businesses during the year, as detailed in note 23.

Goodwill arising on a number of the acquisitions made in the year can be determined only on a provisional basis because the fair values of the consideration payable and net assets acquired cannot yet be finally determined.

Adjustments to prior year provisional fair values comprise revisions to the fair values of both the net assets acquired and consideration payable recognised at 31 March 2007. The revisions to the fair values of the net assets relate to alignment of accounting policies (including fixed asset recognition, depreciation, stock recognition, provision against irrecoverable debtor balances, lessor accounting on operating leases, accounting for deferred income, recognition of liabilities and deferred tax) for acquisitions undertaken in the period to 31 March 2007 where final information was not available at the time of preparing the financial statements for that year.

During the year ended 31 March 2008, the Company acquired a number of businesses. The Directors have reviewed these acquisitions along with the Company's underlying business and in accordance with the policy described in note 1, consider that these businesses and associated goodwill have an indefinite useful economic life and consequently the goodwill is not being amortised.

Notes to the financial statements  
for the year ended 31 March 2008 (continued)

8 Tangible fixed assets

<u>Group</u>	Freehold property £'000	Short leasehold property £'000	Equipment at customers' premises £'000	Other equipment & vehicles £'000	Tooling £'000	Total £'000
<b>Cost</b>						
At 1 April 2007	12,097	1,886	66,039	26,525	3,184	109,731
Acquisitions	-	-	2,172	1,585	-	3,757
Additions	90	386	15,606	3,890	160	20,132
Disposals	-	(32)	(4,862)	(1,611)	-	(6,505)
Translation differences	-	-	282	76	-	358
<b>At 31 March 2008</b>	<b>12,187</b>	<b>2,240</b>	<b>79,237</b>	<b>30,465</b>	<b>3,344</b>	<b>127,473</b>
<b>Accumulated depreciation</b>						
At 1 April 2007	819	866	28,888	15,811	2,715	49,099
Charge for the year	135	164	13,163	4,104	224	17,790
Disposals	-	(12)	(3,014)	(1,410)	-	(4,436)
Translation differences	-	-	148	41	-	189
<b>At 31 March 2008</b>	<b>954</b>	<b>1,018</b>	<b>39,185</b>	<b>18,546</b>	<b>2,939</b>	<b>62,642</b>
<b>Net book value</b>						
<b>At 31 March 2008</b>	<b>11,233</b>	<b>1,222</b>	<b>40,052</b>	<b>11,919</b>	<b>405</b>	<b>64,831</b>
At 31 March 2007	11,278	1,020	37,151	10,714	469	60,632

The net book value of assets held under hire purchase agreements is £554,000 (2007: £1,186,000).

9 Investments

<u>Company</u>	Shares in subsidiary undertakings £'000
<b>Cost and net book value</b>	
<b>At 31 March 2007 and 31 March 2008</b>	<b>50</b>

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 2008 will be annexed to the Company's next Annual Return.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**9 Investments (continued)**

<b>Name</b>	<b>Class of capital</b>	<b>Proportion of shares held</b>	<b>Principal activity</b>
Personnel Hygiene Services Limited	£1 ordinary shares	100% (indirect)	Provision of workplace services at customers' premises
	1p preference shares	100% (indirect)	
PHS Western Limited	£1 ordinary shares	100% (indirect)	Intermediate holding company
PHS All Clear Limited	£1 ordinary shares	100% (indirect)	Waste collection and disposal
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 Services Limited	10p ordinary shares	100% (indirect)	Intermediate holding company
PHS Group plc	£1 ordinary shares	100% (direct)	Intermediate holding company
PHS Holdings Limited	£1 ordinary shares	100% (indirect)	Intermediate holding company
	£1 preference shares	100% (indirect)	
PHS Investments Limited	10p deferred shares	100% (indirect)	Intermediate holding company
	\$0.05 ordinary shares	100% (indirect)	
Teacrate Limited (formerly Teacrate plc)	£1 ordinary shares	100% (indirect)	Intermediate holding company
Teacrate Rentals Limited	10p ordinary shares	100% (indirect)	Crate rental
Warner Howard Group Limited	1p ordinary shares	100% (indirect)	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 2008 (continued)**

**10 Stocks**

<u>Group</u>	<b>2008</b> £'000	2007 £'000
Raw materials	<b>523</b>	511
Finished goods	<b>8,720</b>	8,237
	<b>9,243</b>	8,748

**11 Debtors**

	<u>Group</u>		<u>Company</u>	
	<b>2008</b> £'000	2007 £'000	<b>2008</b> £'000	2007 £'000
Trade debtors	<b>71,006</b>	65,602	-	-
Amounts owed by group undertakings	-	-	<b>371,808</b>	274,666
Other debtors	<b>2,876</b>	2,344	-	1,533
Deferred taxation (note 6(c))	<b>2,168</b>	602	-	-
Prepayments and accrued income	<b>4,125</b>	4,370	-	-
	<b>80,175</b>	72,918	<b>371,808</b>	276,199

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

	<u>Group</u>		<u>Company</u>	
	<b>2008</b> £'000	2007 £'000	<b>2008</b> £'000	2007 £'000
Bank and other borrowings (note 14)	<b>3,960</b>	2,614	-	-
Trade creditors	<b>14,345</b>	14,340	-	-
Other creditors	<b>16,543</b>	23,677	<b>52</b>	52
Corporation tax	<b>1,027</b>	1,022	<b>677</b>	677
Other taxation and social security	<b>13,034</b>	10,486	-	-
Accruals and deferred income	<b>71,696</b>	66,560	-	-
	<b>120,605</b>	118,699	<b>729</b>	729

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

	<u>Group</u>		<u>Company</u>	
	<b>2008</b> £'000	2007 £'000	<b>2008</b> £'000	2007 £'000
Bank and other borrowings (note 14)	<b>1,080,503</b>	983,712	<b>386,115</b>	333,728

Notes to the financial statements  
for the year ended 31 March 2008 (continued)

14 Bank and other borrowings

	<u>Group</u>		<u>Company</u>	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Amounts falling due within one year:</b>				
Acquisition loan notes	3,396	2,116	-	-
Obligations under hire purchase agreements	564	498	-	-
	<u>3,960</u>	<u>2,614</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due after more than one year:</b>				
Bank loans	829,896	649,579	-	-
Shareholder loan notes	250,312	333,728	386,115	333,728
Obligations under hire purchase agreements	295	405	-	-
	<u>1,080,503</u>	<u>983,712</u>	<u>386,115</u>	<u>333,728</u>

The maturity profile of the carrying amount of the Group's bank and other borrowings at 31 March 2008 and 31 March 2007, is set out below:

	<u>2008</u>				<u>Total £'000</u>
	Within 1 year or on demand £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	
Bank loans:					
Term "B"	-	-	-	331,454	331,454
Term "C"	-	-	-	336,445	336,445
Second lien	-	-	-	123,693	123,693
Acquisition / Capex	-	-	-	38,304	38,304
Acquisition loan notes	3,396	-	-	-	3,396
Shareholder loan notes	-	-	250,312	-	250,312
Obligations under hire purchase agreements	564	252	43	-	859
	<u>3,960</u>	<u>252</u>	<u>250,355</u>	<u>829,896</u>	<u>1,084,463</u>
	<u>2007</u>				<u>Total £'000</u>
	Within 1 year or on demand £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	
Bank loans:					
Senior debt "A"	-	-	-	219,856	219,856
Senior debt "B"	-	-	-	221,929	221,929
Mezzanine facility	-	-	-	185,341	185,341
Acquisition facility	-	-	-	22,453	22,453
Acquisition loan notes	2,116	-	-	-	2,116
Shareholder loan notes	-	-	-	333,728	333,728
Obligations under hire purchase agreements	498	405	-	-	903
	<u>2,614</u>	<u>405</u>	<u>983,307</u>	<u>986,326</u>	<u>986,326</u>

## Notes to the financial statements for the year ended 31 March 2008 (continued)

### 14 Bank and other borrowings (continued)

The Term "B" loan bears interest at LIBOR plus a margin, which may vary between 2.25% and 2.5%. The debt is repayable in full on 31 July 2015. All outstanding amounts must be prepaid immediately on the sale or listing of the Company.

The Term "C" loan bears interest at LIBOR plus a margin, which may vary between 2.75% and 3.0%. The debt is repayable in full on 31 July 2016. All outstanding amounts must be prepaid immediately on the sale or listing of the Company.

The Second lien loan bears interest at LIBOR plus a margin of 4.5%. The debt is repayable in full on 31 January 2017. All outstanding amounts must be prepaid immediately on the sale or listing of the Company.

The acquisition/capex loan bears interest at LIBOR plus a margin, which may vary between 2.0% and of 2.5%. The debt is repayable in full on 31 July 2014. All outstanding amounts must be prepaid immediately on the sale or listing of the Company.

The Directors have taken out an interest rate hedge against LIBOR on debt with a principal value of £600m. This hedge fixes the interest rate payable before application of the margins at 6.274% on £400m, 6.255% on £60m, 6.26% on £70m and 6.258% on £70m. The fair value of this hedging instrument not recognised in these financial statements at 31 March 2008 is a liability of £25.6m(2007: asset of £6.6m). From 30 September 2008, PHS has committed to hedging an additional £200m of debt at which time £800m will be hedged at a fixed rate before application of the margins of 6.274%.

The bank borrowings are secured by way of the following:

- First legal mortgage over all freehold and leasehold property together with all buildings and fixtures;
- First fixed charge regarding:
  - all other interests in any freehold or leasehold property, the buildings and fixtures and all proceeds of sale derived therefrom.
  - all investments and all corresponding distribution rights;
  - all plant, machinery, vehicles, computers, office and other equipment and the benefit of all contracts, licences and warranties relating thereto;
  - all book debts and all rights and claims against third parties and against any security in respect of book debts;
  - all other debts and monetary debts and all rights against third parties in respect of such debts and claims;
  - all monies standing to the credit of accounts with any bank, financial institution or other person and all rights related to these accounts;
  - all intellectual property rights;
  - the benefit of all consents and agreements held in connection with the use of any assets;
  - the goodwill and any uncalled capital;
- First floating charge over all present and future assets not effectively charged by way of the first fixed charge.

The Group had undrawn committed borrowing facilities at 31 March 2008, consisting of £86,292,000 under the acquisition facility and £22,430,000 under the revolving credit facility.

The acquisition loan notes bear interest at 1% below LIBOR and unless redeemed or repaid previously fall due for final redemption on 31 January 2009.

The shareholder loan notes are unsecured and are repayable at par on 16 March 2011. Interest accrues at 15% per annum but is payable only on redemption of the notes.

Each hire purchase agreement is secured on the assets under lease and bears interest at an implicit fixed rate that varies between 5% and 10% per annum.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)****15 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 cost for the period is £1,209,000 (2007: £1,091,000).

Along with the acquisition of Warner Howard Group Limited on 31 October 2005, the Group acquired a pension plan with both a defined benefit and money purchase element.

The defined benefit section of the pension scheme was established under an irrevocable Deed of Trust by Warner Howard (UK) Limited. With effect from 1 January 2003 all active members of the defined benefit section ceased to accrue further benefits and became deferred pensioners. A Corporate Trustee accountable to the pension scheme members manages the scheme.

The scheme is valued every three years by independent consulting actuaries using the projected unit method. The most recent valuation at 31 May 2005 indicated that for ongoing funding purposes there was a past service deficit of £2,159,000. It was assumed that the pre-retirement investment return would be 6.5% per annum and that the post-retirement return would be 5.0% per annum.

The latest audited accounts of the scheme are made up to 30 April 2007 at which date the scheme, which is contracted out of the state scheme, had net assets of £9,226,000.

Immediately following the acquisition of Warner Howard Group Limited, the Group made a one-off contribution of £2,255,000 in respect of the final salary section, which was equivalent to the FRS 17 deficit at 30 June 2005. In accordance with the schedule of contributions based on the valuation as at 1 May 2005, contributions of £54,000 were made until March 2006, at which time it was agreed with the Trustees that no further contributions are required.

The employer pays contributions at the rate of 6% of pensionable salary in respect of members of the money purchase section of the plan, which amounted to £264,000 in the year ended 31 March 2008.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**15 Pensions (continued)**

The actuarial valuation of the plan was updated to 31 March 2008 and 31 March 2007 using the principal actuarial assumptions shown below:

	<b>2008</b>	2007
	<b>% per annum</b>	% per annum
Discount rate	<b>6.3</b>	5.3
Expected return on invested assets	<b>5.8</b>	6.0
Salary increases	<b>N/A</b>	N/A
Increase to pension payments:		
pre-1997 accrued pension above GMP	-	-
post-1997 accrued pension above GMP	<b>3.5</b>	3.4
pre-1988 GMP	-	-
post-1988 GMP	<b>3.0</b>	3.0
Inflation	<b>3.5</b>	3.4

The asset and liabilities of the Warner Howard Group Pension Plan at 31 March, along with the expected rates of return on the Plan's assets, are shown below:

	<u>2008</u>		<u>2007</u>	
	Long-term expected rate of return % per annum	<b>Value £'000</b>	Long-term expected rate of return % per annum	Value £'000
Equity-type investments	7.5	<b>2,742</b>	7.8	3,033
Bonds	4.5	<b>5,323</b>	4.8	5,164
<b>Total market value of assets</b>		<b>8,065</b>		8,197
Present value of scheme liabilities		<b>(7,655)</b>		(7,958)
<b>Unrecognised surplus in scheme</b>		<b>410</b>		239

No amounts have been charged to operating profit in either financial year. The net pension asset is not recognised in the financial statements, as it does not meet the FRS17 criteria that permits recognition only where the asset is recoverable. The asset is only deemed to be recoverable where the surplus can either be used to offset future contributions or refunds are payable to the Group. The surplus on this scheme does not meet these criteria and therefore is not recognised as an asset in these financial statements.

The amounts listed below are included in profit before taxation:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Expected return on pension scheme assets	<b>413</b>	383
Interest on pension scheme liabilities	<b>(413)</b>	(383)
	<b>-</b>	-

## Notes to the financial statements for the year ended 31 March 2008 (continued)

### 15 Pensions (continued)

The actuarial (loss)/gain recognised in the Consolidated Statement of total recognised gains and losses is analysed below:

	<u>2008</u>		<u>2007</u>
	%	£'000	%
			£'000
Actual less expected return on pension scheme assets		(194)	(149)
<i>Percentage of scheme assets</i>	(2.4)		(3.6)
Experience losses arising on the scheme liabilities		(97)	(31)
<i>Percentage of the present value of scheme liabilities</i>	(1.3)		(0.4)
Change in assumptions		462	127
<i>Percentage of the present value of scheme liabilities</i>	6.0		1.4
Unrecognised surplus		<u>(171)</u>	<u>53</u>
<b>Actuarial loss recognised in Statement of total recognised gains and losses</b>		<u>-</u>	<u>-</u>
<i>Percentage of the present value of scheme liabilities</i>	-		-

### 16 Called up share capital

<u>Group and Company</u>	<u>2008</u>	<u>2007</u>
	£'000	£'000
<b>Authorised:</b>		
67,500,000 deferred shares of 10p each	6,750	6,750
12,500,000 ordinary shares of 10p each	<u>1,250</u>	<u>1,250</u>
	<u>8,000</u>	<u>8,000</u>
<b>Allotted, issued and fully paid</b>		
67,500,000 deferred shares of 10p each	6,750	6,750
12,500,000 ordinary shares of 10p each	<u>1,250</u>	<u>1,250</u>
	<u>8,000</u>	<u>8,000</u>

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**16 Called up share capital (continued)**

A deferred share:

- (a) does not entitle its holder to any participation in the profits of the Company available for distribution;
- (b) does not entitle its holder to receive notice of or to attend and vote at any general meeting of the Company;
- (c) does not entitle its holder to any further participation in the capital of the Company.

On a winding-up or other return of capital, the capital and assets of the Company are applied as follows:

- (a) first, in paying to the holders of the ordinary and deferred shares the nominal value of such shares pro rata as if they constituted one and the same class of share;
- (b) second, in paying to the holders of the ordinary and deferred shares the amount of any premium paid on such shares on subscription pro rata according to the amount of premium paid;
- (c) third, any balance shall be allocated among the holders of ordinary shares pro rata in relation to the paid up amount upon each such share.

**17 Statement of movement on reserves**

	<u>Group</u>		<u>Company</u>	
	Share premium account £'000	Profit and loss account £'000	Share premium account £'000	Profit and loss account £'000
At 1 April 2007	3,000	(59,503)	3,000	(68,051)
Retained (loss)/profit for the financial year	-	(37,921)	-	42,065
Currency translation differences	-	1,787	-	-
<b>At 31 March 2008</b>	<b>3,000</b>	<b>(95,637)</b>	<b>3,000</b>	<b>(25,986)</b>

Of the Group's loss for the financial year, a profit of £42,065,000 is dealt with in the financial statements of PHS Group Holdings Limited.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**18 Reconciliation of movements in shareholders' deficit**

	<u>Group</u>		<u>Company</u>	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
(Loss)/Profit on ordinary activities after taxation	(37,921)	(37,601)	42,065	(46,629)
Other recognised gains and losses for the financial year	1,787	(237)	-	-
New share capital subscribed	-	49	-	49
	<u>(36,134)</u>	<u>(37,789)</u>	<u>42,065</u>	<u>(46,580)</u>
Opening shareholders' deficit	(48,503)	(10,714)	(57,051)	(10,471)
<b>Closing shareholders' deficit</b>	<u><b>(84,637)</b></u>	<u><b>(48,503)</b></u>	<u><b>(14,986)</b></u>	<u><b>(57,051)</b></u>

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

	2008 £'000	2007 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	945	387
Interest paid on bank loans and overdrafts	(77,012)	(33,429)
Issue costs incurred in respect of borrowings	(11,399)	(1,686)
Interest paid on acquisition loan notes	(227)	(103)
Interest paid on hire purchase agreements	(58)	(76)
	<u>(87,751)</u>	<u>(34,907)</u>
<b>Capital expenditure</b>		
Purchase of equipment at customers' premises	(15,606)	(12,416)
Purchase of other tangible fixed assets	(4,526)	(2,696)
Proceeds from sale of tangible fixed assets	902	1,303
	<u>(19,230)</u>	<u>(13,809)</u>
<b>Acquisitions</b>		
Acquisition of subsidiaries and other businesses	(68,884)	(38,402)
Acquisition expenses	(2,260)	(1,038)
Net cash/(bank overdraft) acquired	228	886
	<u>(70,916)</u>	<u>(38,554)</u>

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**19 Analysis of other headings in the cash flow statement (continued)**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Financing</b>		
Receipts of bank loans	<b>838,665</b>	43,325
Repayments of bank loans	<b>(673,535)</b>	(2,544)
(Repayment)/receipt of shareholder loan	<b>(123,457)</b>	1,064
Proceeds from issue of ordinary shares	-	49
Repayment of capital element of hire purchase agreements	<b>(1,560)</b>	(1,061)
	<b>40,113</b>	40,833

The trade, assets and liabilities of acquisitions made during the year have been amalgamated into the existing trade, assets and liabilities of the Group and therefore their effects on the reported cash flows cannot be determined.

**20 Movements in net debt**

	At 1 April 2007 £'000	Cash flow £'000	Acquisitions (excluding cash and overdrafts) £'000	Non-cash changes £'000	At 31 March 2008 £'000
Cash at bank and in hand	46,223	(34,197)	-	99	<b>12,125</b>
<b>Debt due within one year</b>					
Bank loans	-	10,577	(10,587)	10	-
Acquisition loan notes	(2,116)	2,116	-	(3,396)	<b>(3,396)</b>
Obligations under hire purchase agreements	(498)	1,560	(1,516)	(110)	<b>(564)</b>
	(2,614)	14,253	(12,103)	(3,496)	<b>(3,960)</b>
<b>Debt due after more than one year</b>					
Bank loans (old facility)	(649,579)	662,958	-	(13,379)	-
Bank loans (new facility)	-	(827,266)	-	(2,630)	<b>(829,896)</b>
Shareholder loan notes	(333,728)	123,457	-	(40,041)	<b>(250,312)</b>
Obligations under hire purchase agreements	(405)	-	-	110	<b>(295)</b>
	(983,712)	(40,851)	-	(55,940)	<b>(1,080,503)</b>
<b>Net debt</b>	<b>(940,103)</b>	<b>(60,795)</b>	<b>(12,103)</b>	<b>(59,337)</b>	<b>(1,072,338)</b>

Non-cash changes include £109,000 of translation differences on cash and bank loans and £59,446,000 of other non-cash changes, which are explained further in note 21.

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

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

	<b>2008</b>	2007
	<b>£'000</b>	£'000
(Decrease)/Increase in cash	<b>(34,197)</b>	41,806
Cash flow from increase in debt and lease financing	<b>(26,598)</b>	(39,098)
Change in net debt resulting from cash flows	<b>(60,795)</b>	2,708
Bank loans and leases acquired	<b>(12,103)</b>	(2,596)
Translation differences	<b>109</b>	(16)
Changes in net debt resulting from other non-cash changes	<b>(59,446)</b>	(59,181)
Movement in net debt in the period	<b>(132,235)</b>	(59,085)
Opening net debt	<b>(940,103)</b>	(881,018)
<b>Closing net debt</b>	<b>(1,072,338)</b>	(940,103)

Other non-cash changes comprise £18,803,000 (2007: £6,976,000) amortisation of debt issue costs, £3,396,000 (2007: £nil) loan notes issued as partial consideration for the acquisition of Floor Protection Services Limited, £1,034,000 (2007: £1,064,000) in respect of the shareholder loan notes issued, £38,281,000 (2007: £45,095,000) of interest rolled up into the shareholder loan notes and £nil (2007: £8,174,000) of interest rolled up into the mezzanine bank borrowings.

**22 Capital commitments**

Neither the Group nor Company had any capital commitments at 31 March 2008 (2007: £nil).

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**23 Acquisitions**

During the year, the Group acquired the entire issued share capital of a number of companies as well as the trade and certain net assets of a number of companies or unincorporated businesses. The Directors do not believe to have been individually material. The name and acquisition date of each acquisition is listed below:

<b>Acquired entity</b>	<b>Date of acquisition</b>
Aqua Free Ltd	5 April 2007
Riverside Hygiene Services Ltd	20 April 2007
Floor Protection Services Ltd	27 April 2007
BLR Trust Ltd	15 June 2007
Direct Watercoolers (UK) Ltd	15 June 2007
Direct Water South West Ltd	15 June 2007
Pure Point Coolers Ltd	15 June 2007
Ancove Enterprises Ltd	12 July 2007
Rentacrate Ltd	12 July 2007
3B Waste Solutions Ltd	2 August 2007
Quickcrates Ltd	31 August 2007
Hygieco Ltd	31 August 2007
Cleanwalk Ltd	26 October 2007
MC 415 Ltd	5 November 2007
Aqualicious Ltd	19 November 2007
Watering Well Watercoolers Ltd	19 November 2007
Kingsland Healthcare Ltd	30 November 2007
Thistle Chemicals	7 January 2008
HSR Recycling	25 January 2008
Watercare Nederland BV	21 February 2008
Hepscott Water Systems Ltd	29 February 2008
Maxitech.Biz Ltd	29 February 2008
Recyclite Ltd	29 February 2008
Jerrards & Readycrate	29 February 2008
Jpen Medical Ltd	13 March 2008
Clearwater Technology Leisure Ltd	17 March 2008
Datasafe Management Ltd	28 March 2008

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

**Notes to the financial statements  
for the year ended 31 March 2008 (continued)**

**23 Acquisitions (continued)**

A table showing the book value, fair value adjustments and fair value of each class of asset and liability acquired, on an aggregated basis, is set out below. The table also analyses the fair value of the consideration payable and sets out the purchased goodwill arising.

	Book value £'000	Alignment of accounting policies £'000	Provisional fair value £'000
Goodwill	3,027	(3,027)	-
Tangible fixed assets	5,955	(3,160)	2,795
Stocks	591	(45)	546
Debtors	14,082	(6,516)	7,566
Deferred taxation	(250)	886	636
Cash	1,501	19	1,520
<b>Total assets</b>	<b>24,906</b>	<b>(11,843)</b>	<b>13,063</b>
Bank overdraft	(1,382)	-	(1,382)
Bank loans	(10,057)	(295)	(10,352)
Finance leases	(1,516)	-	(1,516)
Other creditors	(7,273)	(2,285)	(9,558)
<b>Net assets/(liabilities)</b>	<b>4,678</b>	<b>(14,423)</b>	<b>(9,745)</b>
Purchased goodwill (note 7)			82,890
<b>Consideration</b>			<b>73,145</b>
Satisfied by:			
Cash			67,586
Deferred cash			346
Loan notes			3,396
Acquisition expenses			1,817
			<b>73,145</b>

Fair value adjustments comprise adoption of Group policies in respect of fixed asset recognition, depreciation, stock recognition, provision against irrecoverable debtor balances, lessor accounting on operating leases, accounting for deferred income, recognition of liabilities and deferred tax.

An analysis of cash and cash equivalents is set out below:

	£'000
Cash consideration (including acquisition expenses)	69,403
Acquired cash net of bank overdrafts	(138)
<b>Net outflow of cash and cash equivalents</b>	<b>69,265</b>

In addition to the above, £1,741,000 was paid in respect of acquisitions made in prior years, mainly as a result of the payment of deferred consideration.

## Notes to the financial statements for the year ended 31 March 2008 (continued)

### 24 Operating lease commitments

At 31 March, the Group was committed to making the following annual payments during the next year in respect of non-cancellable operating leases:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Land and buildings</b>		
Operating leases which expire:		
Within one year	<b>65</b>	124
Between one and five years	<b>726</b>	388
After five years	<b>3,443</b>	2,469
	<b>4,234</b>	2,981
<b>Other</b>		
Operating leases which expire:		
Within one year	<b>729</b>	584
Between one and five years	<b>5,504</b>	5,181
After five years	<b>490</b>	150
	<b>6,723</b>	5,915

### 25 Related party transactions

Where appropriate the Company and Group have 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 Company issued shareholder 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 £38,115,000 (2007: £45,052,000) accrued on these loan notes. As explained in note 14, loan notes with a par value of £94,554,000 were sold during the year to PHS Group plc, a direct subsidiary of PHS Group Holdings Ltd.

Management fees of £100,000 (2007: £100,000) were charged during the year by Charterhouse for Directors' services.

Of the remaining shareholder loan notes in issue, £628,000 (2007: £965,000) is in favour of a Director, Mr. P Cohen. During the year, interest of £136,000 (2007: £123,000) accrued on these loan notes. Loan notes with a par value of £337,000 were sold during the year to PHS Group plc, a direct subsidiary of PHS Group Holdings Ltd.

### 26 Post balance sheet events

The Group has made 5 acquisitions since the year-end at a cost of £31.6m, none of which is individually material.

### 27 Ultimate parent company and controlling party

The ultimate controlling party is funds managed by Charterhouse General Partners (VII).