

Teacrate Rentals Limited

**Annual report
for the year ended 31 March 2005**

Registered no: 59738



Teacrate Rentals Limited

Annual Report for the year ended 31 March 2005

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Teacrate Rentals Limited

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Directors and advisors

Directors

P J Cohen
J F Skidmore

Secretary and registered office

J F Skidmore
PHS Group
Western Industrial Estate
CAERPHILLY
CF83 1XH

Registered auditors

PricewaterhouseCoopers LLP
One Kingsway
CARDIFF
CF10 3PW

Solicitors

Morgan Cole
Bradley Court
Park Place
CARDIFF
CF1 3DP

**Directors' report
for the year ended 31 March 2005**

The Directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activity and business review

The Company has been engaged in the rental, sale and management of specialist crates throughout the year. The Directors believe that the Company will continue to trade in this market into the foreseeable future.

Results and dividends

Operating profit for the year was £1,498,000 (2004: £1,918,000).

The result for the year after taxation was a profit of £1,032,000 (2004: £1,406,000).

The Board does not recommend the payment of a final dividend (2004: £nil).

Directors

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

Neither Director had any interest in the shares or debentures of the Company or in the shares or debentures of its subsidiaries at any time during the year ended 31 March 2005.

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

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 of the profit or loss for that year. 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 Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

**Directors' report
for the year ended 31 March 2005 (continued)**

Employees

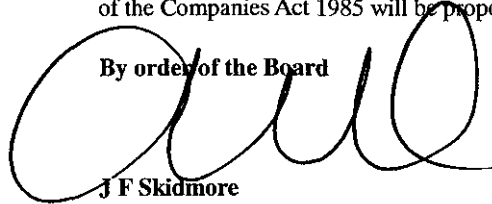
It is Company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the Company's performance, are consulted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

It is established Company 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 Company.

Auditors

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

By order of the Board



J F Skidmore
Company Secretary

16 September 2005

Independent auditors' report to the members of Teacrate Rentals Limited

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We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members 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 in to 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 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 audit 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 Company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

16 September 2005

**Profit and loss account
for the year ended 31 March 2005**

	Notes	2005 £'000	2004 £'000
Turnover	2	6,156	6,665
Net operating expenses	3	<u>(4,658)</u>	<u>(4,747)</u>
Operating profit	3	1,498	1,918
<i>Interest receivable and similar income</i>		14	3
<i>Interest payable and similar charges</i>	5	<u>(19)</u>	<u>(19)</u>
Profit on ordinary activities before taxation		1,493	1,902
<i>Tax on profit on ordinary activities</i>	6	<u>(461)</u>	<u>(496)</u>
Retained profit for the financial year	15	<u>1,032</u>	<u>1,406</u>

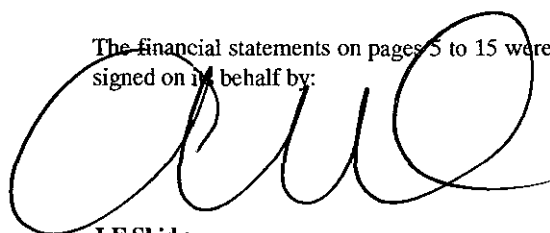
The Company has no recognised gains or losses other than those disclosed above and therefore no separate statement of total recognised gains and losses has been presented.

All results arise in respect of continuing operations.

**Balance sheet
at 31 March 2005**

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	7	2,489	2,489
Tangible assets	8	2,636	2,634
Investments	9	-	102
		<u>5,125</u>	<u>5,225</u>
Current assets			
Debtors	10	3,403	4,302
Cash at bank and in hand		298	242
		<u>3,701</u>	<u>4,544</u>
Creditors: amounts falling due within one year	11	<u>(1,910)</u>	<u>(3,860)</u>
Net current assets		<u>1,791</u>	<u>684</u>
Total assets less current liabilities		6,916	5,909
Creditors: amounts falling due after more than one year	11	(1)	(40)
Provisions for liabilities and charges	12	<u>(540)</u>	<u>(526)</u>
Net assets		<u><u>6,375</u></u>	<u><u>5,343</u></u>
Capital and reserves			
Called up share capital	14	570	570
Share premium account	15	165	165
Capital redemption reserve	15	335	335
Profit and loss account	15	<u>5,305</u>	<u>4,273</u>
Equity shareholders' funds	16	<u><u>6,375</u></u>	<u><u>5,343</u></u>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 16 September 2005 and were signed on its behalf by:



**J F Skidmore
Director**

**Notes to the financial statements
for the year ended 31 March 2005****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.

All existing accounting policies have been reviewed in the year and are considered to be the most appropriate to the Company. No change to any accounting policy has been made in the year.

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the financial statements of its immediate parent company (note 19).

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

Income recognition

Turnover comprises the invoiced value of goods sold (which is recognised on despatch), charges to customers for lost crates representing an acceleration of crate rental income and rentals receivable on operating leases (as described further below), exclusive of value added tax.

Operating leases**i) As lessor**

Assets on hire to customers 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.

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, over its expected useful economic life. The principal annual rates and bases of depreciation used are:

Crates for rental to customers	- 10 years straight-line
Other equipment	- 3 to 4 years straight-line
Tooling	- 10 years straight-line
Commercial vehicles	- 25% reducing balance

**Notes to the financial statements
for the year ended 31 March 2005 (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 the goodwill. Where it is considered that the value of the business or its 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 involved, 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 Company, mean that the 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 period in which it arises.

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 2005 would be reduced by £124,000 (2004: £129,000), with a corresponding reduction in reserves and intangible assets.

**Notes to the financial statements
for the year ended 31 March 2005 (continued)****1 Principal accounting policies (continued)****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 that are 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.

Pension costs

The Company participates in a group defined contribution pension scheme for eligible employees. Pension costs represent contributions payable to the scheme for the year.

Cash flow statement

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

2 Turnover

Turnover is principally derived from the Company's principal activity within the United Kingdom, that activity being the rental, sale and management of specialist crates.

**Notes to the financial statements
for the year ended 31 March 2005 (continued)**

3 Net operating expenses and operating profit

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

	2005 £'000	2004 £'000
Cost of sales	2,780	2,871
Administrative expenses	1,878	1,876
	<u>4,658</u>	<u>4,747</u>
Operating profit is stated after charging/(crediting):	2005 £'000	2004 £'000
Rentals under operating leases:		
Land and buildings	299	304
Other assets	-	1
Fees paid to auditors:		
Audit services	11	10
Depreciation		
Owned assets	403	374
Other assets	31	55
Profit on disposal of tangible fixed assets	<u>(529)</u>	<u>(656)</u>

4 Directors and employees

The emoluments and retirement benefits of both current Directors are borne by a parent company.

The average monthly number of persons employed by the Company during the year was:

	2005 Number	2004 Number
Administration	34	37
Service	62	64
	<u>96</u>	<u>101</u>

Employee costs for the above persons were:

	2005 £'000	2004 £'000
Wages and salaries	1,900	1,859
Social security costs	184	178
Other pension costs	-	2
	<u>2,084</u>	<u>2,039</u>

5 Interest payable and similar charges

	2005 £'000	2004 £'000
On finance and hire purchase leases	<u>19</u>	<u>19</u>

Notes to the financial statements for the year ended 31 March 2005 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

The taxation charge is made up as follows:

	2005 £'000	2004 £'000
Current tax		
UK corporation tax on profits for the year	-	7
Group relief payable	448	495
Adjustments in respect of prior periods		
Group relief payable	(1)	(6)
	<u>447</u>	<u>496</u>
Deferred tax		
Origination and reversal of timing differences	14	-
	<u>461</u>	<u>496</u>

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

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit before taxation	<u>1,493</u>	<u>1,902</u>
Profit multiplied by the standard rate of corporation tax in the UK of 30%	448	571
Effects of:		
Temporary differences between taxable and accounting profit:		
Accelerated capital allowances	(13)	(1)
Prior year credit	(1)	(6)
Permanent differences	13	(68)
Current tax charge for the year (note 6(a))	<u>447</u>	<u>496</u>

The deferred tax liability is made up as follows:

	2005 £'000	2004 £'000
Accelerated capital allowances over depreciation	<u>540</u>	<u>526</u>

The movement on the deferred tax liability is as follows:

	2005 £'000	2004 £'000
At 1 April	526	526
Profit and loss account	14	-
At 31 March	<u>540</u>	<u>526</u>

Notes to the financial statements for the year ended 31 March 2005 (continued)

7 Intangible fixed assets

	Purchased goodwill £'000
Cost and net book value	
At 1 April 2004 and 31 March 2005	<u>2,489</u>

The Directors have reviewed the Company's underlying business and in accordance with the policy described in note 1, consider that this business and associated goodwill have an indefinite useful economic life and consequently the goodwill is not being amortised.

8 Tangible fixed assets

	Plant & machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost or valuation				
At 1 April 2004	3,433	868	125	4,426
Additions	678	-	5	683
Disposals	(449)	(12)	-	(461)
At 31 March 2005	<u>3,662</u>	<u>856</u>	<u>130</u>	<u>4,648</u>
Accumulated depreciation				
At 1 April 2004	1,086	607	99	1,792
Charge for year	353	65	16	434
Disposals	(206)	(8)	-	(214)
At 31 March 2005	<u>1,233</u>	<u>664</u>	<u>115</u>	<u>2,012</u>
Net book value				
At 31 March 2005	<u>2,429</u>	<u>192</u>	<u>15</u>	<u>2,636</u>
At 31 March 2004	<u>2,347</u>	<u>261</u>	<u>26</u>	<u>2,634</u>

The net book value of assets held under hire purchase leases is £111,000 (2004: £228,000).

9 Investments

	Investments in subsidiary undertakings £'000
Cost	
At 1 April 2004	102
Disposals	(102)
At 31 March 2005	<u>-</u>

**Notes to the financial statements
for the year ended 31 March 2005 (continued)**

10 Debtors

	2005 £'000	2004 £'000
Trade debtors	1,527	1,536
Amounts owed by group undertakings	1,737	2,590
Other debtors	35	96
Prepayments and accrued income	104	80
	<u>3,403</u>	<u>4,302</u>

11 Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Obligations under hire purchase agreements	40	79
Trade creditors	233	268
Amounts owed to group undertakings	1,378	3,178
Other creditors	-	17
Accruals	62	77
Corporation tax	-	7
Other taxation and social security	197	234
	<u>1,910</u>	<u>3,860</u>

	2005 £'000	2004 £'000
Amounts falling due after one year:		
Obligations under hire purchase agreements	<u>1</u>	<u>40</u>

Hire purchase agreements are secured on the assets under lease and bear interest at an implicit rate of between 8% and 9% per annum. All obligations falling due after more than one year are due for payment between one and two years from the balance sheet date.

12 Provisions for liabilities and charges

Provisions for liabilities and charges arising in the Company are wholly in respect of deferred taxation as explained in note 6.

13 Pensions

The Company participates in a group defined contribution scheme for eligible employees. Contributions by the Company are charged to the profit and loss account as incurred. The total pensions costs for the period are shown in note 4.

**Notes to the financial statements
for the year ended 31 March 2005 (continued)**

14 Called up share capital

	2005 £'000	2004 £'000
Authorised:		
9,600,000 ordinary shares of 10p each	<u>960</u>	<u>960</u>
Allotted, issued and fully paid:		
5,700,000 ordinary shares of 10p each	<u>570</u>	<u>570</u>

15 Statement of movements in reserves

	Share premium account £'000	Capital redemption Reserve £'000	Profit and loss account £'000
At 1 April 2004	165	335	4,273
Retained profit for the financial year	<u>-</u>	<u>-</u>	<u>1,032</u>
At 31 March 2005	<u>165</u>	<u>335</u>	<u>5,305</u>

16 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Retained profit for the financial year	1,032	1,406
Opening shareholders' funds	<u>5,343</u>	<u>3,937</u>
Closing shareholders' funds	<u>6,375</u>	<u>5,343</u>

17 Capital commitments

The company had capital commitments of £133,000 at 31 March 2005 (2004: £17,000).

18 Operating lease commitments

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

	2005		2004	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Leases which expire:				
Within one year	8	-	43	-
Within two to five years	22	-	23	-
Over five years	<u>319</u>	<u>-</u>	<u>212</u>	<u>-</u>
	<u>349</u>	<u>-</u>	<u>278</u>	<u>-</u>

**Notes to the financial statements
for the year ended 31 March 2005 (continued)**

19 Ultimate parent company and controlling party

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

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

20 Related party transactions

Where appropriate the Company has taken advantage of the exemption available not to disclose any related party transactions in the year with greater than 90% owned group companies.