

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)
(Registered Number: 817849)
Directors' Report and Financial Statements
For The Year Ended 26 December 1998



Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

**Directors' Report and Financial Statements For The Year Ended 26
December 1998**

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Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Directors and Advisers

Executive Directors

RS Janes
SR Trewin (Resigned 31 January 1998)
R van Veen (Resigned 31 January 1998)
JCF Wilde
PR Wilson (Appointed 1 January 1998)

Registered Office

Rycote Lane
Thame
Oxfordshire
OX9 2JB

Telephone: (01844) 214141
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Registered Auditors

PricewaterhouseCoopers
Thames Court
1 Victoria Street
Windsor
Berkshire
SL4 1HB

Bankers

NatWest plc
15 London Road
East Grinstead
West Sussex
RH19 1GP

Initial Transport Services Limited (formerly known as United Transport (UK) Limited)

Directors' Report For The Year Ended 26 December 1998

The directors present their report and the audited financial statements for the year ended 26 December 1998.

Financial Results and Dividend

The financial results for the year set out in the accompanying financial statements show a profit before taxation of £1,816,000 (year ended 27 December 1997 as restated: £1,284,000). After a taxation charge of £721,000 (year ended 27 December 1997: £526,000) the profit attributable to shareholders of Initial Transport (UK) Limited is £1,095,000 (year ended 27 December 1997 as restated: £758,000).

The directors have recommended the payment of a dividend for the year of £1,024,000 (year ended 27 December 1997: £905,000).

Principal Activities

The company's principal activity is the provision of road freight services covering the haulage of liquids, powders, gases and freight in bulk, together with industrial warehousing and on-site logistics, mainly within the United Kingdom.

Review of Business

Both the level of business and the year end financial position have improved considerably. This has been achieved by terminating unprofitable contracts and increasing the awareness of cost control. The directors expect that the level of activity and quality of earnings will improve in future.

On 1 June 1998, the company changed its name to Initial Transport Services Limited.

Directors

The directors of the company who held office during the year are listed on page 1.

Directors' Interests in Shares of the Group

None of the directors had any interests in the shares of the company or group companies during the year other than those stated below.

Initial Transport Services Limited (formerly known as United Transport (UK) Limited)

Directors' Report For The Year Ended 26 December 1998 (Continued)

Directors' Interests in Shares of the Group (Continued)

The beneficial interests of the directors in the ordinary shares of Rentokil Initial plc at 26 December 1998, together with their interests at 27 December 1997 or date of appointment if later and movements in their share options and incentive plans in the year or date since appointment were:

Rentokil Initial plc

	Ordinary shares		Options			
	26 December 1998	27 December 1997	26 December 1998	Granted	Exercised	27 December 1997
RS Janes	2,738	Nil	20,738	10,738	-	10,000
PR Wilson	1,100	1,600	16,245*	10,245	-	6,000

* Options held at date of appointment (1 January 1998).

Mr JCF Wilde is a director of Rentokil Initial plc and his interest in the shares of group companies are disclosed in that company's financial statements.

Property Values

In view of the policy of revaluing properties every three years, in the opinion of the directors, there was no significant differences between market and book values of property at 26 December 1998.

Employees

The maintenance of a highly skilled workforce is key to the future of the business. Health and safety matters are given special attention by the directors and regular training is given to the company's employees.

It is the policy of the company to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitude and abilities. Wherever possible arrangements are made for the continued employment of persons who have become disabled during service, and for appropriate training, career developments and promotion of disabled persons.

The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year consultations took place with employee representatives so that the views of employees could be taken into account in making decisions which are likely to affect their interests.

Creditor Payment Policy

It is the company's policy to settle the terms of payment with those with whom the company does business when agreeing the terms of a transaction; to ensure that the terms of payment are clear and to abide by the agreed terms. The creditor balance as at 26 December 1998 equates to 37 days of trading based on the average daily level of purchases (as at 27 December 1997: 28 days).

Initial Transport Services Limited
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Directors' Report For The Year Ended 26 December 1998 (Continued)

Year 2000 and Eurocurrency Compliance

The company has ongoing programmes to ensure that both its products and internal systems are Year 2000 and Eurocurrency compliant. These programmes are staffed by the employees of the company and it is anticipated that the additional third party costs will be minimal.

Directors' Responsibilities

The directors are required by UK company law 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.

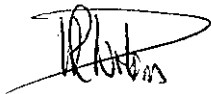
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 26 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, which 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, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998 the auditors, Price Waterhouse, resigned and the directors appointed PricewaterhouseCoopers to fill the casual vacancy thereby arising. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



PR Wilson
Director
31 March 1999

Rycote Lane
Thame
Oxfordshire
OX9 2JB

**Auditors' Report to the Members of
Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)**

PricewaterhouseCoopers
Thames Court
1 Victoria Street
Windsor SL4 1HB
Telephone +44 (0) 1753 752000
Facsimile +44 (0) 1753 864826
Direct phone 01753 752000
Direct fax 01753 864826

We have audited the financial statements on pages 6 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethics guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 26 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

31 March 1999

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Profit And Loss Account For The Year Ended 26 December 1998

	<i>Note</i>	1998 £'000	1997 As restated £'000
Turnover			
Continuing operations	3	57,102	66,793
Cost of sales		(47,510)	(56,123)
Gross profit		9,592	10,670
Administrative expenses		(7,201)	(9,736)
Operating profit			
Continuing operations		2,391	934
Other (expense)/income	4	(635)	635
Profit on ordinary activities before interest		1,756	1,569
Interest receivable and similar income	6	77	25
Interest payable and similar charges	7	(17)	(310)
Profit on ordinary activities before taxation		1,816	1,284
Tax charge on ordinary activities	10	(721)	(526)
Profit on ordinary activities after taxation		1,095	758
Dividend	11	(1,024)	(905)
Retained profit/(loss) for the financial year	23	71	(147)

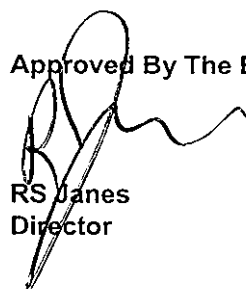
The notes on pages 9 to 23 form part of these financial statements.

Initial Transport Services Limited
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Balance Sheet - 26 December 1998

	<i>Note</i>	1998 £'000	1997 As restated £'000
Fixed assets			
Intangible assets	12	2,188	2,297
Tangible assets	13	15,050	19,561
Investments	14	-	-
		17,238	21,858
Current assets			
Assets held for resale		123	-
Stock	15	351	325
Debtors	16	9,316	10,997
Cash at bank and in hand		4,826	32
		14,616	11,354
Creditors - amounts falling due within one year	17	(22,842)	(23,728)
Net current liabilities		(8,226)	(12,374)
Total assets less current liabilities		9,012	9,484
Creditors - amounts falling due after more than one year	18	(118)	(185)
Provisions for liabilities and charges	19	(3,630)	(4,106)
Net assets		5,264	5,193
Capital and reserves			
Called up share capital	21	3,976	3,976
Revaluation reserve	22	195	195
Goodwill reserve	22	-	-
Profit and loss account	22	1,093	1,022
Equity shareholders' funds		5,264	5,193

Approved By The Board On 31 March 1999, and signed on its behalf by:



RS Jones
Director

The notes on pages 9 to 23 form part of these financial statements.

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Statement Of Total Recognised Gains And Losses For The Year Ended 26 December 1998

	1998 £'000	1997 as restated £'000
Profit after taxation	1,095	758
Total recognised gains and losses relating to the year	1,095	758
Dividends	(1,024)	(905)
Net additions to (deduction from) shareholders' funds	71	(147)
Shareholders' funds at 27 December 1997 (restated)	5,193	5,340
Shareholders' funds at 26 December 1998	5,264	5,193

Opening shareholders' funds have been restated to reflect a change in the method of accounting for goodwill following the introduction of the UK Financial Reporting Standard 10 "Goodwill and Intangible Assets" (see note 2). The cumulative effect of the restatement as at 27 December 1997 was due to the capitalisation of goodwill of £2,705,000 less cumulative amortisation of £408,000 resulting in an increase in shareholders' funds of £2,297,000.

The detailed statement showing the movement in capital and reserves is set out in note 22.

The notes on pages 9 to 23 form part of these financial statements.

Initial Transport Services Limited (formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998

1 Principal Accounting Policies

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

(1) Basis of Accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

Consolidated financial statements have not been prepared, as the company is exempt under Section 228 of the Companies Act 1985 as a wholly owned subsidiary of a company registered in England and Wales, Rentokil Initial plc, which prepares and makes publicly available consolidated financial statements incorporating the results of the company.

(2) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation after deducting accumulated depreciation.

The basis of depreciation is to write off the assets to estimated residual values at the end of their estimated useful lives. Freehold land is not depreciated.

The expected useful lives attributable to fixed assets are as follows:

Freehold and long leasehold buildings	-	Maximum of 50 years
Short leasehold properties	-	Period of lease
Motor vehicles	-	3-8 years
Plant and equipment	-	3-15 years

(3) Leased Assets and Assets Subject to Hire Purchase Agreements

Leasing and hire purchase agreements, which transfer, to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

The assets are included in fixed assets and the capital element of the lease and hire purchase commitments are shown as obligations under finance leases and hire purchase contracts.

The lease and hire purchase 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 so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets and assets under hire purchase contracts over the useful lives of the assets.

(4) Stocks

Stocks have been valued at the lower of cost and net realisable value.

Initial Transport Services Limited (formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

1 Principal Accounting Policies (Continued)

(5) Deferred Taxation

Deferred tax is provided using the liability method in respect of the taxation effect of all timing differences to the extent that in the opinion of the directors, it is probable that liabilities will crystallise in the foreseeable future.

(6) Pension Costs

The company participates in group pension schemes formerly operated by BET Public Limited Company and now operated by Rentokil Initial plc, and additionally in The Milk Pension Fund as operated by Milk Marque Limited. The pension schemes are of a defined benefit type and the assets are held in separate trustee administered funds.

The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Particulars of the valuation of the group schemes are contained in the financial statements of Rentokil Initial plc. Contributions paid to these pension schemes are included in the profit and loss account as incurred.

(7) Investments

Fixed asset investments are stated at cost less any permanent diminution in value.

(8) Goodwill

Purchased goodwill is capitalised and amortised through the profit and loss account over its estimated life of 20 years.

(9) Cash Flow Statement

As permitted by paragraph 5 of Financial Reporting Standard No.1 (revised 1996), the company's cash flow statement has not been included in these financial statements. The company is a wholly owned subsidiary of Rentokil Initial plc, which produces a consolidated cash flow statement in which the cash flows of the company are included.

(10) Vacant Properties

A provision for vacant property costs is provided each financial year to cover the estimated costs of holding properties up to the time of their disposal.

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

2 Prior Year Adjustment

In 1997 the UK Accounting Standards Board issued Financial Reporting Standard 10 "Goodwill and Intangible Assets". The company has implemented this standard which requires purchased goodwill and intangible assets to be capitalised and amortised through the profit and loss account over their useful economic lives. All goodwill previously eliminated against reserves has been reinstated as an asset on the balance sheet by way of a prior year adjustment and cumulative amortisation as at 28 December 1996 has been written-off against brought forward profit and loss account reserves at that date.

The effect of this change in accounting policy on the current period results is to increase administrative expenses and reduce the profit after taxation attributable to shareholders by £137,000, and to increase shareholders' funds by £2,188,000.

Previously reported profit after taxation attributable to shareholders in the year ended 27 December 1997 has been reduced by £135,000, and previously reported shareholders' funds as at 27 December 1997 have been increased by £2,297,000.

3 Turnover and Profit on Ordinary Activities Before Taxation

Turnover represents amounts invoiced by the company in respect of services rendered during the year, excluding value added tax. Turnover and profit/(loss) on ordinary activities before taxation arise wholly in respect of services provided, in the transportation, warehousing of goods, and the provision of on-site logistics predominantly in the United Kingdom.

4 Other (Expense)/Income

This amount represents a reversal of a dividend receivable included in the profit and loss account for the previous period.

5 Staff Numbers and Costs

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	Year ended 26 December 1998 Number	Year ended 27 December 1997 Number
Operating staff	819	972
Office and Management	155	171
	974	1,143

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

5 Staff Numbers and Costs (Continued)

Employee costs for the above persons, during the year amounted to:

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Wages and salaries	18,244	21,266
Social security costs	1,660	1,939
Other pension costs	606	668
	20,510	23,873

6 Interest Receivable

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Bank Interest	77	25

7 Interest Payable and Similar Charges

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Group undertakings	-	5
Bank interest on overdrafts repayable within 5 years	-	206
Loan interest repayable within 5 years	-	81
Finance lease interest	17	18
	17	310

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

8 Profit on Ordinary Activities Before Taxation

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	3,666	4,267
Tangible fixed assets held under finance leases	77	59
Operating lease rentals:		
Hire of plant and machinery	2,128	2,827
Other operating lease: land and buildings	2,136	2,191
Auditors remuneration:		
Audit fee	68	63
And after crediting:		
Profit on disposal of fixed assets	9	387
Rent receivable	1,240	1,133

9 Directors' Emoluments

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Salary payments (including benefits in kind)	177	434
Pension contributions	20	46
	197	480
Compensation for loss of office	-	41
	197	521

Two directors have retirement benefits contributed to by the company accruing under deferred benefit contribution schemes as at 26 December 1998. No directors exercised share options in Rentokil Initial plc during the current period.

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

10 Tax Charge on Profit on Ordinary Activities

Taxation charge based on the profit for the year of the company:

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
United Kingdom corporation tax charge/(credit) at 31% (1997: 31.5%):		
Current	1,106	439
Deferred	(112)	87
In respect of prior year items:		
Over provision of current tax	(272)	-
Over provision of deferred tax	(1)	-
	<hr/> 721	<hr/> 526

11 Dividends

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Dividend paid on equity shares	1,024	905

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

12 Intangible Assets – Goodwill

	Goodwill £'000
Cost	
At 28 December 1996 and 27 December 1997	
As previously reported	-
Prior year adjustment	2,705
Restated	2,705
Additions	28
At 26 December 1998	2,733
Amortisation	
At 28 December 1996	
As previously reported	-
Prior year adjustment	273
Restated	273
Amortisation charge in the year (restated)	135
At 27 December 1997 as restated	408
Amortisation charge in the year	137
At 26 December 1998	545
Net Book Value	
At 26 December 1998	2,188
At 27 December 1997 as restated	2,297
At 28 December 1996 as restated	2,432

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

13 Tangible Fixed Assets

	Land and buildings			Vehicles, Plant and equipment	Total
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	£'000	£'000
Cost or valuation					
At 27 December 1997	1,113	240	1,803	38,032	41,188
Additions	-	-	-	876	876
Transfers from subsidiary and fellow group undertakings	-	-	-	36	36
Disposals	-	(240)	(230)	(5,744)	(6,214)
Transfers to subsidiary and fellow group undertakings	-	-	-	(16)	(16)
Transfer to current assets	(130)	-	-	-	(130)
At 26 December 1998	983	-	1,573	33,184	35,740
Depreciation					
At 27 December 1997	13	9	660	20,945	21,627
Charge for the year	7	2	68	3,666	3,743
Transfers from subsidiary and fellow group undertakings	-	-	-	25	25
Eliminated in respect of disposals	-	(11)	(107)	(4,577)	(4,695)
Transfers to subsidiary and fellow group undertakings	-	-	-	(3)	(3)
Transfers to current assets	(7)	-	-	-	(7)
At 26 December 1998	13	-	621	20,056	20,690
Net Book Value					
At 26 December 1998	970	-	952	13,128	15,050
At 27 December 1997	1,100	231	1,143	17,087	19,561

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

13 Tangible Fixed Assets (Continued)

Cost or valuation at 26 December 1998 is represented by:

	Land and buildings			Vehicles, Plant and equipment	Total
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	£'000	£;000
Valuation	930	-	-	-	930
Cost	53	-	1,573	33,184	34,810
	983	-	1,573	33,184	35,740

The net book value of tangible fixed assets includes an amount of £193,000 (1997: £255,000) in respect of assets held under finance leases and hire purchase contracts. There is a gross cost of £331,000 (1997: £348,000) and accumulated depreciation of £138,000 (1997: £93,000) in respect of the same assets.

The historical cost of revalued land and buildings is as follows:

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Cost	456	696
Aggregated depreciation based on cost	(116)	(117)
	340	579

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £775,000 (27 December 1997: £775,000).

No material profit effect would arise from the depreciation of land and buildings on a historical cost basis.

Freehold and long leasehold land and buildings were revalued on 2 March 1996 on the basis of an open market valuation for existing use during the year by St Quintin Chartered Surveyors.

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

14 Investment: Share in Group Undertaking

	£'000
Cost at 27 December	1,000
Amounts written off previously	1,000
Net book value at 27 December 1997 and 26 December 1998	-

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held %
Copenhagen Transport Limited	England and Wales	Ordinary £1 shares	100

Copenhagen Transport Limited's principal activity was the distribution of bulk liquid products in the UK. It ceased to trade during the year. The aggregate amount of capital and reserves at 26 December 1998 amounted to £1,018,000 and the profit for the financial year was £413,000.

15 Stocks

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Transport stocks	351	325

16 Debtors – Amounts Due Within One Year

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Trade debtors	6,931	6,025
Amounts owed by group undertakings	36	430
Prepayments and accrued income	2,349	4,542
	9,316	10,997

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

17 Creditors – Amounts Falling Due Within One Year

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Unsecured bank overdraft	-	43
Obligations under finance leases and hire purchase contracts	61	72
Trade creditors	2,981	4,141
Amounts owed to group undertakings	13,436	12,173
Corporation tax	1,106	379
Other creditors	2,574	1,133
Other taxation and social security	1,795	1,860
Accruals and deferred income	889	3,927
	22,842	23,728

18 Creditors – Amounts Falling Due After More Than One Year

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Obligations under finance leases and hire purchase contracts	118	185

All the above obligations fall due in the second to fifth years inclusive from the balance sheet date.

19 Provisions For Liabilities and Charges

	Other £'000	Deferred taxation £'000	Total £'000
At 27 December 1997	2,931	1,175	4,106
Established in the year	22	-	22
Utilised in the year	(309)	-	(309)
Profit and loss account	(76)	(113)	(189)
At 26 December 1998	2,568	1,062	3,630

Other provisions and liabilities principally relate to vacant property costs.

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

19 Provisions For Liabilities and Charges (Continued)

The amounts provided for deferred taxation represent the maximum potential liability as follows:

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	1,651	1,841
Other timing differences	(589)	(576)
	<hr/> 1,062	<hr/> 1,265

20 Pension and Similar Obligations

Schemes formerly operated by BET Public Limited Company

An amount of £29,000 (27 December 1997: £42,000) is included in other creditors, which represents the excess of accumulated pension costs over the payment of contributions to these pension funds. Full details of these schemes are given in the financial statements of Rentokil Initial plc.

It is intended that from 31 March 1999 these schemes will be merged into the main scheme, the BET Pension Scheme, and that this will be renamed the Rentokil Initial Pension Scheme. The existing pension benefit structures will be maintained within the merged scheme.

The Milk Pension Fund

The Milk Pension Fund is a funded defined benefit (based on final pensionable salary) scheme. The pension costs are determined by a qualified actuary on the basis of triennial valuations. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the anticipated period of service of the pension scheme members. Actuarial surpluses and deficits are spread over the remaining service lives of members. The contributions are based on pension costs across Milk Marque Limited.

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

20 Pension and Similar Obligations (Continued)

The Milk Pension Fund (Continued)

The latest actuarial valuation was carried out at 31 March 1995 using the projected unit method. The main actuarial assumptions were as follows:

Investment return	9% per annum
Inflationary increases in pensionable earnings	7% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £178.44 million, the actuarial value of which represented 109.5% of the liability for benefits that had accrued to members to that date after allowing for expected future salary increases. This represented an actuarial surplus of £15.54 million which, following the recommendations of the actuary, permitted the company to maintain contributions (until the next valuation date) at a total rate of 12.3% (7.3% employer contributions plus 5% employee contributions) so as to spread the surplus over the average remaining service period of current scheme members. The pension charge for the period was £116,000 (year ended 27 December 1997: £118,000).

A further actuarial valuation of the scheme's assets as at 31 March 1998 is in the process of being performed. This valuation has not yet been finalised.

No amount is included in other creditors (27 December 1997: £3,000, representing the excess of accumulated pension costs over the payment of contributions to this fund).

21 Called Up Share Capital

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Authorised		
4,000,000 ordinary shares of £1 each	4,000	4,000
Allotted, called up and fully paid		
3,975,554 ordinary shares of £1 each	3,976	3,976

Initial Transport Services Limited
(formerly known as United Transport (UK) Limited)

Notes To The Financial Statements – 26 December 1998 (Continued)

22 Reserves

	Revaluation reserve £'000	Goodwill reserve £'000	Profit and loss account £'000
At 28 December 1996 as previously stated	863	2,432	501
Prior year adjustment (Note 2)	-	(2,432)	-
At 28 December 1996 as restated	863	-	501
Retained loss for the year (restated)	-	-	(147)
Transfer from revaluation reserve to profit and loss account	(668)	-	668
At 27 December 1997 as restated	195	-	1,022
Retained profit for the year	-	-	71
At 26 December 1998	195	-	1,093

23 Reconciliation of Movements in Shareholders' Funds

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 as restated £'000
Profit/(Loss) for the financial year	1,095	758
Dividends	(1,024)	(905)
Net addition to/(deduction from) shareholders' funds	71	(147)
Opening shareholders' funds (originally £2,896,000 before adding prior year adjustment of £2,297,000 – refer note 2)	5,193	5,340
	5,264	5,193

Initial Transport Services Limited
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Notes To The Financial Statements – 26 December 1998 (Continued)

24 Guarantees and Other Financial Commitments

Capital commitments for which no provision has been made in these financial statements were as follows:

	Year ended 26 December 1998 £'000	Year ended 27 December 1997 £'000
Contracted capital commitments	174	68

Operating lease commitments – at 26 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	26 December 1998		27 December 1997	
	Land and buildings £'000	Vehicles, plant and equipment £'000	Land and buildings £'000	Vehicles, plant and equipment £'000
Operating leases which expire:				
Within one year	92	104	56	359
Between two and five years	99	1,688	183	1,604
After five years	1635	-	1,771	27
	1,826	1,792	2,010	1,990

The leases and buildings are subject to periodic rental reviews.

25 Related Party Transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions between the company and other undertakings in the Rentokil Initial plc group, as the company is a wholly owned subsidiary of Rentokil Initial plc.

26 Ultimate Parent Undertaking

The directors regard the immediate and ultimate parent undertaking and controlling party as Rentokil Initial plc, a company registered in England and Wales. Copies of the parent company's consolidated financial statements may be obtained from:

Rentokil Initial plc
Felcourt
East Grinstead
West Sussex
RH19 2JY