

Initial Security Limited

Registered Number: 1013210

Directors' Report and Financial Statements
For The Period Ended 25 December 2005



Initial Security Limited

Company Information

Directors	R Moule	Appointed 1 July 2005
	A van Lidth de Jeude	Appointed 14 February 2005
	CMN Ward	
	G Evans	
	AA O'Neill	Resigned 17 May 2005
Secretary	GT Brown	
Registered office	Felcourt East Grinstead West Sussex RH19 2JY	
Registered number	1013210	
Auditors	PricewaterhouseCoopers LLP 10 Bricket Road St. Albans Herts. AL1 3JX	
Bankers	HSBC 69 Pall Mall London SW1Y 5EY	

Initial Security Limited

Directors' Report

The directors submit their annual report, together with the audited financial statements of the company for the 52 weeks ended 25 December 2005. Comparative data presented relates to the 52 weeks ended 26 December 2004.

Profit and loss account

The profit for the period, after taxation, amounted to £3,554,000 (2004: £4,639,000). An interim dividend of £2,500,000 (2004: £2,500,000) was paid during the period. The directors do not recommend the payment of a final dividend.

Principal activity

The company is a specialist in the provision of security services.

Fixed assets

During the period the company purchased and disposed of a number of fixed assets. Details of these movements are shown in note 10 to the financial statements.

Directors and their interests

The directors named on page 1 held office during the period. Except as stated below, none of the directors who were directors at the end of the period held any interests in the shares of the company or of Rentokil Initial plc either at the beginning or at the end of the period.

Rentokil Initial plc, ordinary shares of 1p each

	25 December 2005 Beneficial interest Number	26 December 2004 Beneficial interest Number
CMN Ward	22,094	22,094

Share options

Rentokil Initial plc, ordinary shares of 1p each

	G Evans Number	AA O'Neill Number	CMN Ward Number	R Moule Number	A v Lidth de Jeude Number
At 26 December 2004	19,207	193,780	1,047,295	30,296	13,429
Released during the period	-	-	(43,599)	-	-
Lapsed during the period	-	-	-	-	-
Granted during the period	13,952	-	154,096	20,766	47,721
At 25 December 2005	33,159	193,780	1,157,792	51,062	61,150

None of the directors exercised any share options in the period.

Initial Security Limited

Directors' Report (continued)

Employees

The company attaches considerable importance to keeping its employees informed of matters affecting their jobs and the progress of the business. The regular parent company magazine contributes towards this purpose. There are, in addition, several in-house publications covering local and divisional matters. Employees have frequent opportunities to meet and have discussions with their managers.

The company gives sympathetic consideration to the employment of disabled people. Whilst no special facilities are provided for training the disabled, all employees are given equal opportunities for working, training and promotion, having regard to their particular aptitudes and abilities.

Review of operations

2005 was a successful year for the company. The directors view the future of the company with confidence and expect 2006 to be another successful year.

Policy in relation to payment of suppliers

The company has a variety of payment terms with its suppliers. These will be either negotiated along with other contract terms or will conform to standard terms applied by the company or by the supplier. It is the company's policy to pay suppliers in accordance with either negotiated or standard terms provided that the relevant invoice is properly presented and is not the subject of dispute.

At 25 December 2005, the ratio, expressed in days, between the amounts invoiced to the company by suppliers and the amounts owed to trade creditors was 41 days (2003: 25 days).

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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 25 December 2005 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.

Initial Security Limited

Directors' Report (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.

A handwritten signature in black ink, appearing to be 'GT Brown', with a long horizontal line extending to the right.

GT Brown
Company Secretary

Garland Road
East Grinstead
West Sussex
RH19 2DR

<Date>

10 february 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INITIAL SECURITY LIMITED

We have audited the financial statements of Initial Security Limited for the period ended 25 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 25 December 2005 and of its profit for the 52 weeks then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

15 February 2006

Initial Security Limited

Profit and loss account for the 52 weeks ended 25 December 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	122,247	114,603
Cost of sales		(109,022)	(103,900)
Gross profit		13,225	10,703
Administrative expenses		(9,126)	(7,373)
Operating profit	3	4,099	3,330
Profit on disposal of tangible fixed assets		70	131
Income from shares in group undertakings		850	2,250
Profit on ordinary activities before interest and taxation		5,019	5,711
Interest receivable and similar income	6	-	41
Interest payable and similar charges	6	(220)	(101)
Profit on ordinary activities before taxation		4,799	5,651
Tax on profit on ordinary activities	7	(1,245)	(1,012)
Profit on ordinary activities after taxation	8	3,554	4,639
Dividends	8	(2,500)	(2,500)
Retained profit for the period		1,054	2,139

The results for the period are wholly attributable to the continuing operations of the company.

The company had no recognised gains and losses during the period other than those recorded in the above profit and loss account; accordingly, no separate statement of total recognised gains and losses has been prepared.

The notes on pages 8 to 17 form part of these financial statements.

Initial Security Limited

Balance sheet as at 25 December 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Goodwill	17	10,184	10,184
Tangible assets	10	2,495	2,333
Investments	16	1,029	1,029
		13,708	13,546
Current assets			
Stocks	11	398	442
Debtors	12	21,490	17,171
Cash at bank and in hand		726	1,670
		22,614	19,283
Creditors – amounts falling due within one year	13	(30,540)	(28,195)
Net current liabilities		(7,926)	(8,912)
Total assets less current liabilities		5,782	4,634
Creditors – amounts falling due after more than one year	14	(524)	(430)
Net assets		5,258	4,204
Capital and reserves			
Called up share capital	18	19	19
Share premium account		1	1
Profit and loss account	8	5,238	4,184
Total shareholders' funds	9	5,258	4,204

The notes on pages 8 to 17 form part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

G. Evans

G Evans
Director

<Date> 10/2/06

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

The company is dependent on continuing finance being made available by its ultimate parent company to enable it to continue operating and meet its liabilities as they fall due. The parent company has agreed to provide sufficient funds to the company for these purposes. The directors accordingly consider it appropriate to prepare financial statements on a going concern basis.

The following are the principal accounting policies, which have been applied by the company.

Consolidated financial statements

The company is exempt from the requirement to prepare group financial statements, as it is a wholly owned subsidiary of Rentokil Initial plc and as such these financial statements present financial information about the company as an individual undertaking.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments is not less than that shown in the balance sheet.

Leasehold property

Leasehold land and buildings are stated at cost less depreciation; cost is amortised in equal instalments over the shorter of 10 years or the life of the lease.

When properties are sold the difference between sales proceeds and net book amount is dealt with in the profit and loss account.

Other tangible fixed assets

Other tangible fixed assets are stated at cost less depreciation. Provision for depreciation of all tangible fixed assets of the company is made to write off the cost of fixed assets over their estimated useful lives, principally over the following periods:

Motor vehicles	-	25-50% straight line
Plant, equipment, furniture and fittings	-	10-15% straight line

Stocks

Stocks are stated at cost less depreciation. Provision for depreciation of all stocks are made to write-off the cost of the stocks over their estimated useful lives, principally over 20 months.

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

1. Accounting policies (continued)

Deferred tax

Deferred taxation has been recognised as a liability or asset if a transaction has occurred at the balance sheet date that gives rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is recognised to the extent that the transfer of economic benefits in the future are more likely than not to occur. Deferred tax asset and liabilities have not been discounted.

Cost of sales and administrative expenses

Service, selling and other direct costs are classified as cost of sales. Administrative expenses comprise indirect and head office costs.

Leased assets

Where the company retains substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in borrowings with the corresponding asset values recorded in fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to the profit and loss account, as incurred, over the lease term.

Pension costs

The managers of the company are eligible to be members of retirement benefit schemes operated by the group in the United Kingdom. The funds of the schemes are administered by trustees and are completely separate from the funds of the company and of the group. Information relating to the schemes is contained in the financial statements of Rentokil Initial plc. The contributions to the pension schemes are based on pension costs across the group as a whole.

The company is unable to identify its share of the underlying assets and liabilities of the group schemes on a consistent and reasonable basis and as such, contributions made to the schemes during the year have been accounted for as if they were defined contribution schemes in accordance with paragraph 9 of FRS17 "Retirement Benefits".

Goodwill

Goodwill is subject to an annual impairment review and a charge is taken to the profit and loss account in the period in which impairment is deemed to occur.

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

2. Turnover

Turnover represents the invoiced value of goods sold and services rendered during the period exclusive of value added tax, substantially all of which is derived from the United Kingdom.

3. Operating profit

Is stated after charging:

	2005 £'000	2004 £'000
Depreciation of owned assets	683	635
Depreciation of assets held under finance leases	416	366
Operating lease rentals - other assets	436	437
Auditors' remuneration - audit fee	70	67
Staff costs:		
Wages and salaries	99,452	92,725
Social security costs	9,385	8,710
Other pension costs	267	245
	109,104	101,680

4. Directors' remuneration

	2005 £'000	2004 £'000
Aggregate emoluments (in respect of qualifying services to the company)	288	235
Aggregate value of contributions paid to a money purchase pension scheme (in respect of qualifying services to the company)	18	9
	Number	Number
The number of directors to whom retirement benefits are accruing under a money purchase scheme (in respect of qualifying services) are	2	1
The number of directors to whom retirement benefits are accruing under a defined benefit scheme (in respect of qualifying services) are	1	1
	£'000	£'000
Highest paid director (in respect of qualifying services to the company)		
- total amount of emoluments	128	163
- accrued pension benefits under the defined benefit scheme	28	22

The highest paid director did not exercise share options in the period.

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

5. Employees

	2005 Number	2004 Number
The average number of employees during the period was:		
Operations	5,333	5,388
Administration	129	130
	5,462	5,518

6. Interest

An analysis of interest receivable and interest payable on finance leases, bank loans, overdrafts and other loans repayable within 5 years, other than by instalments is set out below.

	2005 £'000	2004 £'000
Interest receivable	-	41
Interest payable		
- bank overdrafts	(165)	(60)
- finance leases	(55)	(41)
	(220)	(101)

7. Taxation

(a) Analysis of charge in the period

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax on profits of the period	1,240	987
Adjustment in respect of previous periods	57	(66)
Total current tax	1,297	921
Deferred tax:		
Origination and reversal of timing differences (ACA and other)	(14)	91
Adjustment in respect of prior periods	(38)	-
Total deferred tax (note 12)	(52)	91
Tax on profit on ordinary activities	1,245	1,012

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Notes to the financial statements for the period ended 25 December 2005 (continued)

7. Taxation (continued)

(b) Factors affecting tax charge in the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	4,799	5,651
Profit on ordinary activities multiplied by standard rate in the UK 30%	1,440	1,695
Effects of:		
Expenses not deductible for tax purposes	41	35
Non-taxable income from shares in group undertakings	(255)	(675)
Depreciation in excess of capital allowances	3	(59)
Other timing differences	11	(9)
Adjustments to tax charge in respect of previous period	57	(66)
Current tax charge for the period	1,297	921

8. Profit and loss account

	£'000
At 26 December 2004	4,184
Profit for the financial period	3,554
Dividends paid	(2,500)
At 25 December 2005	5,238

9. Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the period	3,554	4,639
Dividends paid	(2,500)	(2,500)
Net increase in shareholders' funds	1,054	2,139
Opening shareholders' funds	4,204	2,065
Closing shareholders' funds	5,258	4,204

Initial Security Limited

**Notes to the financial statements
for the period ended 25 December 2005 (continued)**

10. Tangible fixed assets

	Short leasehold property £'000	Vehicles, furniture & fittings £'000	Plant £'000	Total £'000
Cost				
At 26 December 2004	447	3,919	334	4,700
Additions	74	1,198	46	1,318
Disposals	(3)	(622)	(3)	(628)
At 25 December 2005	518	4,495	377	5,390
Accumulated depreciation				
At 26 December 2004	170	1,998	199	2,367
Disposals	(3)	(567)	(1)	(571)
Charge for the period	49	990	60	1,099
At 25 December 2005	216	2,421	258	2,895
Net book amount				
At 25 December 2005	302	2,074	119	2,495
At 26 December 2004	277	1,921	135	2,333

The net book value of vehicles acquired under finance leases included in the above amounts is £840,272 (2004: £642,107). This is made up of cost of £1,820,949 less aggregate depreciation of £980,677.

11. Stocks

	2005 £'000	2004 £'000
Uniforms	398	442

12. Debtors

	2005 £'000	2004 £'000
Trade debtors	16,384	14,148
Amounts owed by group undertakings	2,278	1,550
Other debtors	5	7
Prepayments and accrued income	2,696	1,391
Deferred tax	127	75
	21,490	17,171

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

12. Debtors (continued)

Analysis of deferred tax asset:

	2005 £'000	2004 £'000
Accelerated capital allowances	76	48
Other timing differences	51	27
Deferred tax asset	127	75

The movement on deferred taxation comprises:

	2005 £'000	2004 £'000
At beginning of the period	75	166
Deferred tax charge in profit and loss account (note 7)	52	(91)
At end of the period	127	75

There are no unrecognised deferred tax assets or liabilities.

13. Creditors – amounts falling due within one year

	2005 £'000	2004 £'000
Obligations under finance leases and hire purchase contracts	375	321
Trade creditors	937	624
Amounts owed to group undertakings	13,264	16,022
Other tax and social security	6,706	5,975
Corporation tax	1,240	987
Other creditors	6,953	3,355
Accruals and deferred income	1,065	911
	30,540	28,195

None of the intercompany balances are interest bearing.

14. Creditors – amounts falling due after more than one year

	2005 £'000	2004 £'000
Obligations under finance leases and hire purchase contracts	524	430

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

15. Obligations under leases

	2005 £'000	2004 £'000
Amounts payable:		
- within 1 year	411	350
- within 2-5 years	550	450
Less: finance charges allocated to future periods	(62)	(49)
	899	751

The company has annual lease commitments under non-cancellable leases as detailed below:

	2005 Land and Buildings £'000	2004 Land and Buildings £'000
Operating leases which expire:		
- within 1 year	53	58
- within 2-5 years	196	68
- after 5 years	190	306
	439	432

16 Investments

	2005 £'000	2004 £'000
Investments	1,029	1,029

The investments balance at 25 December 2005 represented interests in the following companies, all of which are incorporated in Great Britain.

	% Held	Activity
Rentokil Dormant (No.1) Limited	100	Dormant
Securiguard Services (Eastern) Limited	100	Dormant
Securiguard Services (London) Limited	100	Dormant
Securiguard Scotland Limited	100	Dormant
Securiguard Technical Systems Limited	100	Dormant
Securiguard Services (Northern) Limited	100	Dormant
Securiguard Services (Wales) Limited	100	Dormant
Initial Aviation Security Limited	100	Security services
Sigma Group Limited	100	Dormant
Guardrite plc	100	Dormant

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

17. Goodwill

	2005 £'000	2004 £'000
At start of period	10,184	10,184
Impairment during the period	-	-
At end of period	10,184	10,184

18. Share capital

	Authorised Number	Allotted and fully paid Number	£'000
At 26 December 2004 and 25 December 2005			
Ordinary shares of £1 each	20,000	19,000	19

19. Capital commitments

At 25 December 2005 there were no capital commitments (2004: £Nil).

20. Pension commitments

The company participates in group pension schemes operated by Rentokil Initial plc. The pension schemes are funded and of the defined benefit and defined contribution type and their 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 payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Particulars of the valuation are contained in the financial statements of Rentokil Initial plc. The company is unable to identify its share of the underlying assets and liabilities of the group schemes on a consistent and reasonable basis and as such, contributions made to the defined benefit scheme during the year have been accounted for as if they were defined contribution schemes in accordance with paragraph 9 of FRS17 "Retirement Benefits".

The total pension cost for defined benefit schemes for the period was £226,000 (2004: £212,000). Details concerning any surplus or deficit in the group schemes can be found in the consolidated financial statements of Rentokil Initial plc which are publicly available.

The total pension cost for defined contribution schemes for the period was £45,000 (2004: £37,000).

Initial Security Limited

Notes to the financial statements for the period ended 25 December 2005 (continued)

21. Ultimate parent company

The company's immediate parent company is Servicelink (UK) Limited. The company's ultimate parent company is Rentokil Initial plc, which forms the only group into which the financial statements of the company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from Felcourt, East Grinstead, West Sussex, RH19 2JY.

22. Related party transactions

Rentokil Initial plc is also the company's ultimate controlling party. The company has not undertaken any transactions with related parties during the period, other than transactions with fellow members of the Rentokil Initial plc group. Such transactions are exempt from disclosure under FRS8.

23. Cashflow statement

A cashflow statement has not been provided as the company has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) "Cashflow Statements" as consolidated financial statements in which the company is included are publicly available.