

**Initial Security Limited**  
Registered Number: 1013210

Directors' Report and Financial Statements  
For The Period Ended 26 December 2004



## **Initial Security Limited**

### **Company Information**

Directors	AA O'Neill CMN Ward G Evans	Resigned 3 February 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**

### **Report of the Directors**

The directors submit their annual report, together with the audited financial statements of the company for the 52 weeks ended 26 December 2004. Comparative data presented relates to the 52 weeks ended 28 December 2003.

#### **Profit and loss account**

The profit for the period, after taxation, amounted to £4,639,000 (2003: £3,442,000). An interim dividend of £2,500,000 (2003: £2,200,000) 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 throughout 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

	26 December 2004 Beneficial interest Number	28 December 2003 Beneficial interest Number
CMN Ward	22,094	34,754

#### **Share options**

Rentokil Initial plc, ordinary shares of 1p each

	G Evans Number	AA O'Neill Number	CMN Ward Number
At 28 December 2003	5,702	158,254	896,405
Released during the period	-	-	(19,153)
Lapsed during the period	-	-	(4,748)
Granted during the period	13,505	35,526	179,045
At 26 December 2004	19,207	193,780	1,051,549

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

## **Initial Security Limited**

### **Report of the Directors (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**

2004 was a successful year for the company. The directors view the future of the company with confidence and expect 2005 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 26 December 2004, the ratio, expressed in days, between the amounts invoiced to the company by suppliers and the amounts owed to trade creditors was 25 (2003: 26 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 26 December 2004 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.

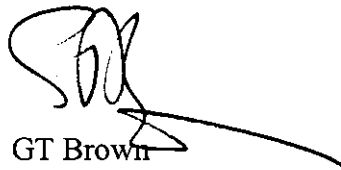
**Initial Security Limited**

**Report of the Directors (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 stroke extending to the right.

GT Brown  
**Company Secretary**

Garland Road  
East Grinstead  
West Sussex  
RH19 2DR

<Date> 21 JUNE 2005

## Independent auditors' report to the members of Initial Security Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes and the accounting policies set out in the statement of accounting policies.

### 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 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 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. The other information comprises only the directors' report.

### 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 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 of the state of the company's affairs at 26 December 2004 and of its profit for the period 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

*4 July 2005*

## Initial Security Limited

### Profit and loss account for the 52 weeks ended 26 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	114,603	122,600
Cost of sales		(103,900)	(109,690)
<b>Gross profit</b>		<b>10,703</b>	<b>12,910</b>
Administrative expenses		(7,373)	(7,693)
<b>Operating profit</b>	3	<b>3,330</b>	<b>5,217</b>
Profit on disposal of tangible fixed assets		131	16
Income from shares in group undertakings		2,250	-
<b>Profit on ordinary activities before interest and taxation</b>		<b>5,711</b>	<b>5,233</b>
Interest receivable and similar income	6	41	99
Interest payable and similar charges	6	(101)	(195)
<b>Profit on ordinary activities before taxation</b>		<b>5,651</b>	<b>5,137</b>
Tax on profit on ordinary activities	7	(1,012)	(1,695)
<b>Profit on ordinary activities after taxation</b>	8	<b>4,639</b>	<b>3,442</b>
Dividends	8	(2,500)	(2,200)
<b>Retained profit for the period</b>		<b>2,139</b>	<b>1,242</b>

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 26 December 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Goodwill	17	10,184	10,184
Tangible assets	10	2,333	2,241
Investments	16	1,029	1,029
		<b>13,546</b>	<b>13,454</b>
<b>Current assets</b>			
Stocks	11	442	407
Debtors	12	17,171	18,359
Cash at bank and in hand		1,670	5
		<b>19,283</b>	<b>18,771</b>
<b>Creditors – amounts falling due within one year</b>	13	<b>(28,195)</b>	<b>(29,773)</b>
<b>Net current liabilities</b>		<b>(8,912)</b>	<b>(11,002)</b>
<b>Total assets less current liabilities</b>		<b>4,634</b>	<b>2,452</b>
<b>Creditors – amounts falling due after more than one year</b>	14	<b>(430)</b>	<b>(387)</b>
<b>Net assets</b>		<b>4,204</b>	<b>2,065</b>
<b>Capital and reserves</b>			
Called up share capital	18	19	19
Share premium account		1	1
Profit and loss account	8	4,184	2,045
<b>Total shareholders' funds</b>	9	<b>4,204</b>	<b>2,065</b>

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



G Evans  
Director

<Date>

21st June 2005

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



## **Initial Security Limited**

### **Notes to the financial statements for the period ended 26 December 2004**

#### **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 the lower of cost or net realisable value, using the first-in, first-out principle. Cost includes all direct expenditure and related overheads incurred to the date of the balance sheet.

## **Initial Security Limited**

### **Notes to the financial statements for the period ended 26 December 2004 (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 26 December 2004 (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:

	2004 £'000	2003 £'000
Depreciation of owned assets	635	671
Depreciation of assets held under finance leases	366	356
Operating lease rentals - other assets	437	524
Auditors' remuneration - audit fee	67	66
Staff costs:		
Wages and salaries	92,725	99,042
Social security costs	8,710	8,649
Other pension costs	245	246
	101,680	107,937

#### 4. Directors' remuneration

	2004 £'000	2003 £'000
Aggregate emoluments (in respect of qualifying services to the company)	235	253
Aggregate value of contributions paid to a money purchase pension scheme (in respect of qualifying services to the company)	9	5
	Number	Number
The number of directors to whom retirement benefits are accruing under a money purchase scheme (in respect of qualifying services) are	1	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	150	163
- accrued pension benefits under the defined benefit scheme	25	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 26 December 2004 (continued)

#### 5. Employees

	2004 Number	2003 Number
The average number of employees during the period was:		
Operations	5,388	6,583
Administration	130	132
	<b>5,518</b>	<b>6,715</b>

#### 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.

	2004 £'000	2003 £'000
Interest receivable	41	99
Interest payable		
- bank overdrafts	(60)	(157)
- finance leases	(41)	(38)
	<b>(101)</b>	<b>(195)</b>

#### 7. Taxation

##### (a) Analysis of charge in the period

	2004 £'000	2003 £'000
<b>Current tax:</b>		
UK corporation tax on profits of the period	987	1,604
Adjustment in respect of previous periods	(66)	(80)
<b>Total current tax</b>	<b>921</b>	<b>1,524</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences (ACA and other)	91	171
<b>Total deferred tax (note 12)</b>	<b>91</b>	<b>171</b>
<b>Tax on profit on ordinary activities</b>	<b>1,012</b>	<b>1,695</b>

## **Initial Security Limited**

### **Notes to the financial statements for the period ended 26 December 2004 (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%) (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	5,651	5,137
Profit on ordinary activities multiplied by standard rate in the UK 30%	1,695	1,541
Effects of:		
Expenses not deductible for tax purposes	35	44
Non-taxable income from shares in group undertakings	(675)	-
Accelerated capital allowances and other timing differences	(59)	19
Other timing differences	(9)	-
Adjustments to tax charge in respect of previous period	(66)	(80)
<b>Current tax charge for the period</b>	<b>921</b>	<b>1,524</b>

#### **8. Profit and loss account**

	£'000
At 28 December 2003	2,045
Profit for the financial period	4,639
Dividends paid	(2,500)
At 26 December 2004	4,184

#### **9. Reconciliation of movements in shareholders' funds**

	2004 £'000	2003 £'000
Profit for the period	4,639	3,442
Dividends paid	(2,500)	(2,200)
Net increase in shareholders' funds	2,139	1,242
Opening shareholders' funds	2,065	823
Closing shareholders' funds	4,204	2,065

**Initial Security Limited**

**Notes to the financial statements  
for the period ended 26 December 2004 (continued)**

**10. Tangible fixed assets**

	Short leasehold property £'000	Vehicles, furniture & fittings £'000	Plant £'000	Total £'000
<b>Cost</b>				
At 28 December 2003	463	3,989	330	4,782
Additions	25	1,079	65	1,169
Reclassification	(38)	38	-	-
Disposals	(3)	(1,187)	(61)	(1,251)
<b>At 26 December 2004</b>	<b>447</b>	<b>3,919</b>	<b>334</b>	<b>4,700</b>
<b>Accumulated depreciation</b>				
At 28 December 2003	138	2,207	196	2,541
Reclassification	(11)	11	-	-
Disposals	(3)	(1,119)	(53)	(1,175)
Charge for the period	46	899	56	1,001
<b>At 26 December 2004</b>	<b>170</b>	<b>1,998</b>	<b>199</b>	<b>2,367</b>
<b>Net book amount</b>				
<b>At 26 December 2004</b>	<b>277</b>	<b>1,921</b>	<b>135</b>	<b>2,333</b>
At 28 December 2003	325	1,782	134	2,241

The net book value of vehicles acquired under finance leases included in the above amounts is £642,107 (2003: £606,000). This is made up of cost of £1,479,883 less aggregate depreciation of £837,776.

**11. Stocks**

	2004 £'000	2003 £'000
Finished goods	442	407

**12. Debtors**

	2004 £'000	2003 £'000
Trade debtors	14,148	16,641
Amounts owed by group undertakings	1,550	1,113
Other debtors	7	10
Prepayments and accrued income	1,391	429
Deferred tax	75	166
	<b>17,171</b>	<b>18,359</b>

## **Initial Security Limited**

### **Notes to the financial statements for the period ended 26 December 2004 (continued)**

#### **12. Debtors (continued)**

Analysis of deferred tax asset:

	2004 £'000	2003 £'000
Accelerated capital allowances	48	118
Other timing differences	27	48
Deferred tax asset	75	166

The movement on deferred taxation comprises:

	2004 £'000	2003 £'000
At beginning of the period	166	337
Deferred tax charge in profit and loss account (note 7)	(91)	(171)
At end of the period	75	166

There are no unrecognised deferred tax assets or liabilities.

#### **13. Creditors – amounts falling due within one year**

	2004 £'000	2003 £'000
Obligations under finance leases and hire purchase contracts	321	292
Bank overdraft	-	198
Trade creditors	624	262
Amounts owed to group undertakings	16,022	16,675
Other tax and social security	5,975	6,406
Corporation tax	987	1,603
Other creditors	3,355	2,934
Accruals and deferred income	911	1,403
	28,195	29,773

None of the intercompany balances are interest bearing.

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

	2004 £'000	2003 £'000
Obligations under finance leases and hire purchase contracts	430	387

## Initial Security Limited

### Notes to the financial statements for the period ended 26 December 2004 (continued)

#### 15. Obligations under leases

	2004 £'000	2003 £'000
Amounts payable:		
- within 1 year	350	319
- within 2-5 years	450	405
Less: finance charges allocated to future periods	(49)	(45)
	751	679

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

	2004 Land and Buildings £'000	2003 Land and Buildings £'000
Operating leases which expire:		
- within 1 year	58	47
- within 2-5 years	68	96
- after 5 years	306	305
	432	448

#### 16 Investments

	2004 £'000	2003 £'000
Investments	1,029	1,029

The investments balance at 26 December 2004 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 26 December 2004 (continued)

#### 17. Goodwill

	2004 £'000	2003 £'000
At start of period	10,184	10,341
Impairment during the period	-	(157)
At end of period	10,184	10,184

#### 18. Share capital

	Authorised Number	Allotted and fully paid Number	£'000
At 28 December 2003 and 26 December 2004			
Ordinary shares of £1 each	20,000	19,000	19

#### 19. Capital commitments

At 26 December 2004 there were no capital commitments (2003: £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 £212,000 (2003: £219,778). 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 £37,000 (2003: £27,035). Outstanding contributions at the balance sheet date were £3,902 (2003: £874).

## **Initial Security Limited**

### **Notes to the financial statements for the period ended 26 December 2004 (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.